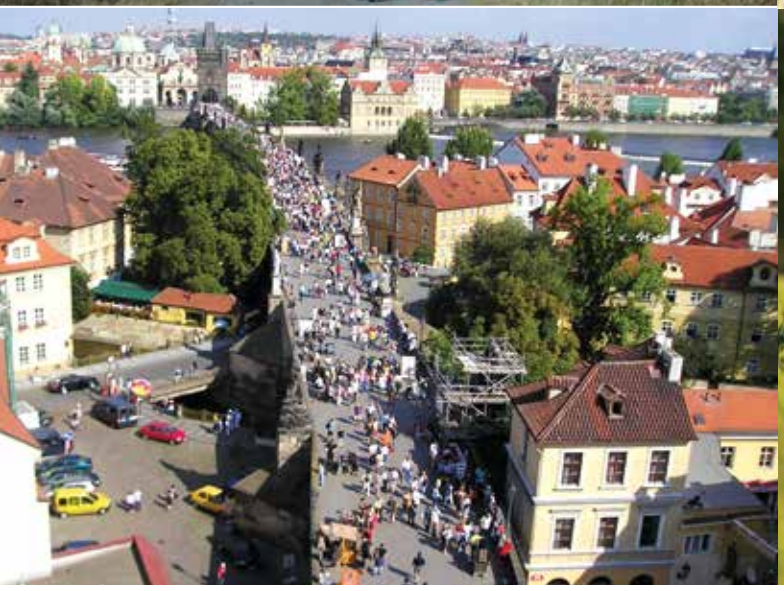
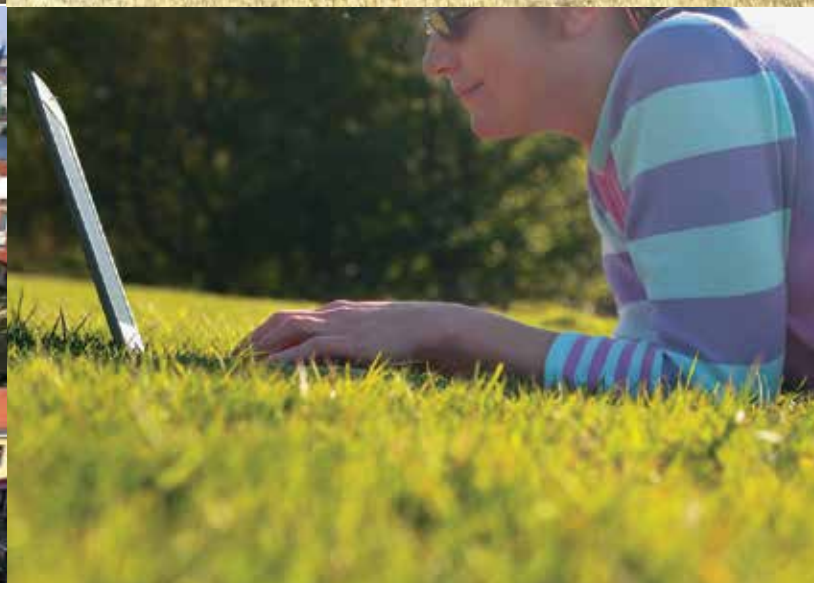
OECD Rural Policy Reviews

Rural-Urban Partnerships

AN INTEGRATED APPROACH TO ECONOMIC DEVELOPMENT





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Foreword

The traditional distinction between urban and rural areas is increasingly blurred. Places where today people live, work and consume largely encompass both urban and rural territories, which are ever more linked in economic, demographic and environmental terms. The challenge facing governments is how to govern these interactions, which cross different administrative boundaries and policy domains. If well managed, rural-urban interactions can help improve services provision, as well as increase growth opportunities and quality of life for people.

Rural-urban partnerships are important tools for better co-ordinating rural-urban interactions. They can be used to better design and implement policy at the appropriate scale, providing a flexible and inclusive approach that bridges different but interdependent interests. However, rural-urban partnerships face some specific challenges that may hamper their formation, and even policy, when designed without acknowledging the actual integration between urban and rural areas, can be an obstacle for the different actors to work together.

Rural-Urban Partnerships: An Integrated Approach to Economic Development delivers evidence-based recommendations on how to build effective and sustainable rural-urban partnerships for better economic development. The report builds on regional data analysis and 11 case studies from different OECD countries. It first provides a conceptual framework to understand the changing relationships between urban and rural areas and empirical evidence showing that regional performance increases when urban and rural areas are closer, hence more integrated. Rural-urban partnerships are then analysed in terms of purposes, benefits and risks. The report also documents the forms rural-urban partnerships take, the factors that hinder and enable rural-urban co-operation and the different governance approaches to manage urban-rural relationships.

This report can help national, regional and local policy makers build effective and sustainable rural-urban partnerships. It stresses the importance of fostering integration between urban and rural areas, by promoting an enabling legislative and regulatory environment and an increasingly integrated urban and rural policy agenda to foster regional conditions. However, evidence shows that a better understanding of the needs of both urban and rural communities and of their relationships is key to building sustainable rural-urban partnerships.

Better outcomes can be achieved when policy is tailored at the appropriate scale, reflecting where people live and work and where the relevant socio-economic and environmental processes occur. Rural-urban partnerships are a key solution to achieve better conditions and quality of life both in rural and urban areas.

Yves Leterme
OECD Deputy Secretary-General

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Acronyms and abbreviations

ADD	Area Development District
ADRACES	Association for the Development of Raia Centro Sul
BEA	Bureau of Economic Analysis
CA	Census agglomeration
CAP	Common Agricultural Policy
CEO	Chief Executive Officer
CLLD	Community-led local development
CMA	Census Metropolitan Area
CSD	Census subdivision
CSF	Common Strategic Framework
EAFRD	European Agricultural Fund for Rural Development
EFF	European Fisheries Fund
EPCI	Establishment for intercommunal co-operation
ERDF	European Regional Development Fund
EU	European Union
EC	European Commission
ESPON	European Observation Network for territorial development and cohesion
GAM	Great Metropolitan Area
GDP	Gross domestic product
GIS	Geographical information system
GVA	Gross value added
G21	Geelong Region Alliance
ICT	Information and communication technology
IN	Intermediate
INSEE	National Institute of Statistics and Economic Studies
ISTAT	Italian National Institute of Statistics
ITI	Integrated Territorial Investment
LAG	Local Action Group
LCR	Leeds City Region
LEP	Local Enterprise Partnership
LFG	Local Fishing Group
LFUCG	Lexington-Fayette Urban County Government

LGA	Local Government Area
LLS	Local labour system
MIZ	Metropolitan Influenced Zone
MSA	Metropolitan Statistical Area
NGO	Non-governmental organisation
NMR	Nuremberg Metropolitan Region
NUTS	Nomenclature of Territorial Units for Statistics
OECD	Organisation for Economic Co-operation and Development
PPP	Purchasing power parity
PR	Predominantly rural
PU	Predominantly urban
RM	Rennes Métropole
R&D	Research and development
SCOT	*Schéma de cohérence territoriale*
SLA	Self-contained labour area
SMEs	Small and medium-sized enterprises
TL2	Territorial level 2
TL3	Territorial level 3
ULMA	Urban Labour Market Area
USDA	United States Department of Agriculture

Executive summary

Traditionally, the economic and territorial development of rural and urban areas have been considered separate topics in both research and policy. This has been reinforced by a sense that differences in economic, cultural and spatial circumstances lead to differences in economic, cultural and social interests. However, urban and rural areas are increasingly integrated both physically and functionally, and because of their distinct and complementary endowments, closer integration can bring benefits to both. Consequently, interest is increasing in how forms of governance might evolve to help manage this integration and influence the prosperity of places and people.

This report is focused on one approach that can enhance and better manage rural-urban relationships – the use of rural-urban partnerships. It starts with the recognition that urban and rural areas interact through a broad set of linkages. These encompass different geographies, which often cross local and regional administrative boundaries. Local and regional governments alone are not always able to manage these interactions to foster the development of both urban and rural populations. Similarly, changes in the administrative structure of a country may not fully respond to the different relationships occurring between urban and rural areas. Rural-urban partnerships, however, have been shown to be effective as a way to respond to the need to govern these interactions and to foster economic development and well-being.

This report provides an analysis of rural-urban partnership, and shows how it can benefit socio-economic development and sustainability. It first provides a conceptual framework to understand the context of rural-urban partnership and then some empirical evidence on urban-rural dynamics in OECD countries. Second, it documents the forms rural-urban partnerships take in specific territorial contexts and outlines their main characteristics, as well as the outcomes achieved and the governance issues raised. Finally, it provides ideas about how public policy could support rural-urban partnership, and when it may need to do so.

Key findings

Urban and rural territories each have potential for growth, and socio-economic dynamics do not vary substantially along the urban-rural dimension. Urban and rural areas enjoy different and often complementary assets, and better integration between urban and rural areas is important for socio-economic performance. On average, places where "urban" and "rural" are closer, and where institutions are more inclusive, perform better than others in terms of growth of population and GDP per capita, respectively.

Urban and rural territories are interconnected through different types of linkages that often cross traditional administrative boundaries. These interactions can involve demographic, labour market, public service and environmental considerations. They are not limited to city-centred local labour market flows and include bi-directional relationships. Each type of interaction encompasses a different geography or "functional

region". Flexibility is required in the space considered for governing these complex relationships.

Effective rural-urban partnerships can help attain economic development objectives. Rural-urban partnerships help territories to enhance the production of public goods; achieve economies of scale in public service provision; co-ordinate decisions where cross-boundary effects are important and increase the capacity of the partners. They can also help develop new economic opportunities. However, involving the private sector – which plays a crucial role in enhancing the connection to the regional economy – proved challenging in most of the cases observed. Another issue was the difficulty of monitoring and evaluating the results of the partnership and its impact on regional conditions.

Rural-urban partnerships are shaped by external factors, by the institutional environment and by the characteristics of the particular partnership. Co-operation appears to be more difficult when the differences in size, resources and capacity between urban and rural areas are large. Other factors detrimental to effective rural-urban partnership are regulatory and political barriers, lack of trust and policy fragmentation. On the other hand, factors with a positive effect include clearly defined objectives, understanding of the interdependence of rural and urban areas, democratic participation and leadership.

Four main governance approaches to rural-urban partnership emerge, depending on whether the needs of rural and urban areas are explicitly addressed and on the extent to which functions are delegated to the partnership. Each resulting approach has specific characteristics that vary according to the goals of the partnership and the institutional context.

Key recommendations

- Promote a better understanding of socio-economic conditions in urban and rural areas and foster better integration between them. National and sub-national governments, through the production and use of data at the appropriate scale, must assess the socio-economic and environmental processes at work in urban and rural areas. This can increase awareness of territorial opportunities and challenges, and help identify the potential for co-operation. Territorial integration should be encouraged by ensuring access to services, jobs and amenities in functionally integrated urban and rural areas.
- Address territorial challenges at a scale that accounts for functional linkages between urban and rural areas. Governments should set up a framework to help local stakeholders co-operate outside the constraints imposed by administrative boundaries. One way is to encourage urban and rural actors to identify a development strategy or projects around functional geographies, which should be flexible and embrace different potential urban-rural interactions. Using common planning instruments that allow urban and rural areas to jointly manage common challenges and opportunities should be encouraged.
- Encourage the integration of urban and rural policies by working towards a common national agenda. National government should encourage better integration across policy sectors, such as between agricultural and regional development policy. This can foster a dialogue between rural and urban actors that might otherwise work in isolation. Moving towards a common national agenda for urban and rural policy can help better manage urban and rural integration and take advantage of complementarities. Also, each level of

government should participate in and support the working parties and forums that are engaged in policy debates about rural-urban partnership. One way to do this is through better alignment of national and regional strategies on urban and rural development with locally devised projects and plans.

- Promote an environment that supports rural-urban partnerships. Facilitating dialogue and co-operation between actors in functionally integrated urban and rural areas can be achieved by promoting inclusive governance approaches that overcome the challenges of mismatched size, resources, capacity and political power. Legal and regulatory policies that encourage rural-urban partnership should be introduced. One way of achieving this is by giving territories (local authorities) greater flexibility to find the most suitable form of co-operation for their particular needs. Another way is developing trust by encouraging co-operation around "win-win" issues.
- Clarify the partnership objectives and related measures to improve learning and facilitate the participation of key urban and rural actors. Monitoring and evaluation should be based on a few clear indicators, defined and agreed upon in advance, that account for short-, medium- and long-term change. Being able to measure success in early stages on the basis of accepted indicators can support co-operative approaches in the future. Identifying difficulties early allows partnerships to be more effective because they can more easily revise existing arrangements. National government can set the criteria, while regional government can engage and help the partnership in the operational phase. The extent of monitoring activities should be related to the scope and the objectives of the partnership. Smaller projects require less intensive monitoring.

Part I

Rural-urban partnerships: A tool for economic development

Chapter 1

Understanding rural-urban partnerships: Context and definition

This chapter provides the background information for understanding rural-urban partnerships. First, it provides a conceptual framework to understand the changing urban-rural relationships and their possible implications for economic development. Second, it gives empirical evidence on the different socio-economic conditions and dynamics of urban and rural areas, which have been traditionally seen as separate entities with different and often opposite destinies. Finally, it defines rural-urban partnership and stresses the main functions of urban and rural areas. Evidence shows that different territories face different challenges and that all types of regions have potential for growth. The different assets of urban and rural areas can potentially complement one another. Further integration and governance of urban-rural relationships should be encouraged.

Beyond the rural-urban dichotomy

Territorial relationships have changed profoundly in recent decades. Improvements in communications technology, ever-increasing movements of people and goods, and changes in land use are only some of the factors reshaping relationships between urban and rural areas. Drawing a clear line between urban and rural territory is becoming increasingly difficult. Cities no longer correspond to the simple notion of clusters of compact settlements with high densities of population and employment that are clearly distinguished from their rural surroundings. Similarly, agriculture is no longer the sole or principal economic activity of rural areas (OECD, 2006). Instead, both cities and rural areas now include urban and rural elements, even if this is in different proportions and characterised by different settlement patterns and densities. The population of many rural areas around cities has increased in the process of suburbanisation. Meanwhile, the spatial domain considered by individuals for their daily activities is bigger. People travel for longer distances than in the past, and all economic interactions take place over wider areas. The daily movement of people is not the only transformation, however. Rural and urban areas are becoming increasingly interdependent in many domains (environment, services, land use, etc.), and individuals and institutions do not always fully consider this interdependence.

Urban and rural areas are interconnected through different functions

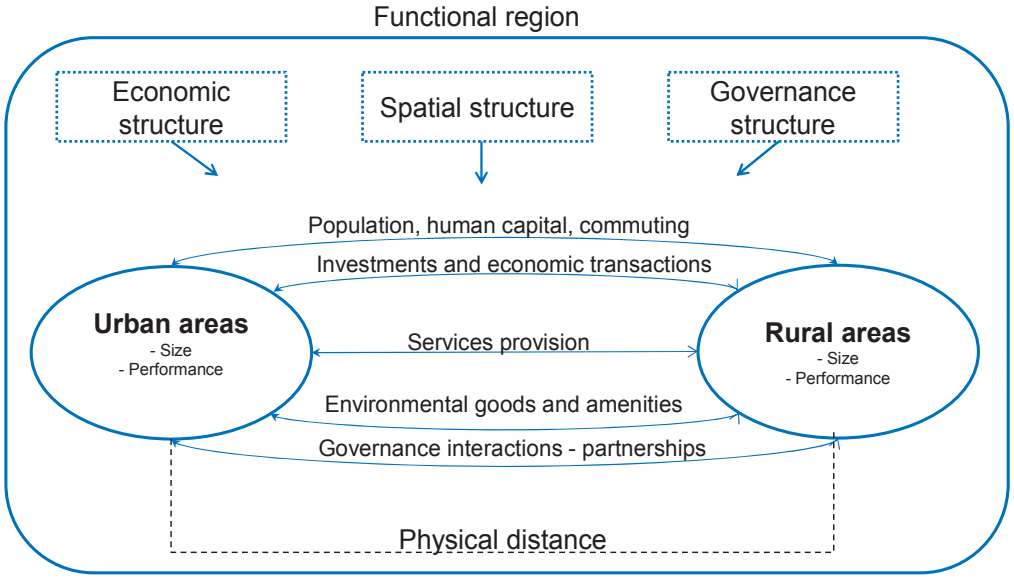
Urban and rural areas are connected through a broad set of linkages, along a functional dimension. Each link can be geographically identified through the concept of the "functional region". This general concept identifies a space – usually different from the administrative boundary – in which a specific territorial interdependence (or function) occurs, and may need to be governed. Urban-rural linkages are classified in this report under five main categories, which help identify the different drivers of interactions and the rationale for possible policy interventions (Figure 1.1):

- demographic linkages
- economic transactions and innovation activity
- delivery of public services
- exchange in amenities and environmental goods
- multi-level governance interactions.

Demographic linkages include migration patterns and commuting. Commuting is a key driver of territorial integration and is used to identify labour market areas, by far the most common and measurable definition of functional region. Labour market areas are crucial objects for analysis and policy, since they make it possible to track the daily movement of people and workers. Such interactions involve the majority of the workforce, not just a small set of private or public actors. Socio-economically, labour market areas are a useful unit for studying policy areas such as housing, economic and spatial planning, transport and labour training. On the other hand, migration linkages occur at wider spatial scales than labour market areas. Population movements between

urban and rural areas underlie other interactions that relate to land use and, in turn, to environmental pressures from urban and congested areas to rural ones on the periphery.

Figure 1.1. **Urban-rural relationships within functional regions**



Urban and rural areas can be connected through cross-sectoral relationships, innovation activities and other general economic linkages. Examples are market services provided in urban areas to resource-based industries (such as agriculture), or research activities within firms in collaboration with urban research centres (e.g. universities). In principle, these linkages are driven by productive complementarities that do not necessarily occur among contiguous urban and rural areas. Firms often have "trans-local" business networks that are not determined by physical distance (Dubois et al., 2011). Attempts to strengthen supply-chain linkages at the local level also try to exploit synergies emerging from local products and immaterial and "soft" factors such as territorial identity. A case in point are agro-industrial supply chains that try to capitalise on a region's material and immaterial resources.

Service provision is another functional dimension of urban-rural interactions. Among these services, transport is particularly relevant, since it has an impact on social cohesion and on how people can have access to goods and services, although its effect on regional competitiveness is complex (OECD, 2002). Nevertheless, the efficiency of transport has private and social costs and depends on territories' capacity to plan spatial development consistently with infrastructure development and urbanisation patterns. Urban and rural areas within functional regions depend on one another for a wide set of other basic services, such as education, healthcare, social services, waste disposal, etc. Under increasing fiscal constraints, many such services have to be rationalised to achieve economies of scale. This can encourage urban and rural areas that were previously more isolated to share resources to provide such services jointly.

Amenities and environmental goods are another dimension of urban-rural interaction and fall into at least three sub-types. First are interactions related to ecosystem services, which are crucial for the social, environmental and economic sustainability. These include public goods and services such as air quality, water resources, waste decomposition (landfill sites) and biodiversity, of which rural areas are often major

providers. A second group of linkages relates to the fact that both urban and rural residents now have more complex consumption patterns and a greater similarity of preferences. Rural residents need urban amenities (such as cultural events, complex consumption, etc.), while urban residents value rural amenities such as quality of environment, less congested living arrangements and closer social relationships. Third, rural areas can potentially provide resources for renewable energy (e.g. agricultural and forest resources for biomass energy), whose benefits are often only partially retained by rural areas (OECD, 2012b).

Urban-rural interactions may have different characteristics in different types of territory

Most urban-rural interactions are shaped by physical proximity. The forms of co-operation observed in the fieldwork for this report (11 case-study regions) always occur among contiguous or neighbouring areas and this report focuses on this kind of interaction. Despite the importance of physical proximity, other types of urban-rural interactions, which can be defined as a-spatial, have ubiquitous rather than contiguous impacts. This type of relationship has been referred to as "organised proximity" (Copus, 2012) and may include economic relationships between firms, tourism and other flows related to exchange in amenities (e.g. recreation), as well as some specific forms of institutional collaboration.

Depending on the function at issue, urban-rural interactions can occur in a space that does not correspond with administrative units. The geographical dimension of these interactions usually extends beyond administrative boundaries, which may generate a mismatch between the space of the economic process and of policy making. In some cases, as for demographic flows or environmental amenities, regional administrative boundaries (e.g. the OECD Territorial Level 3, or TL3) do not usually encompass the whole space of interaction. In other cases, such as commuting patterns and labour market in small- and medium-sized areas, functional linkages have a smaller spatial dimension than regions but virtually always extend beyond municipal boundaries.

Urban-rural interactions can have different characteristics and implications on the basis of the type of functional region where they occur. In this report, three spatial categories of regions have been identified, which highlight the different weight urban and rural dimensions can have in the regional structure. The issues emerging from the case studies discussed in the next chapters were analysed with this classification in mind. They are:

- metropolitan regions
- networks of small- and medium-sized cities
- sparsely populated areas with market towns.

Metropolitan regions are functional regions composed of one or more large urban cores where people and firms are highly concentrated, and a functionally integrated hinterland. The main characteristic of the metropolitan region is that the urban core is often the economic engine of the region, with a sphere of influence that extends beyond the average daily commuting distance. The core, or network of cores in the case of a polycentric metropolitan structure, organises the whole regional space, while the countryside often becomes urban (peri-urban) in nature. The countryside may house those who commute to the central core, but commuting patterns and economic activity also

occur within and across the peri-urban areas, independent of the urban core. A large urban core has the potential to generate strong positive spill-over effects on its surrounding territory, benefiting the entire functional region. However, it can also generate tensions and competitive relationships with smaller surrounding areas, whose interests may not always be aligned. Within the integrated metropolitan region, rural and peri-urban areas play a fundamental role. They supply many functions, including residence of a high environmental and social quality, resources and space for many economic activities. These areas can help large firms in the retail or manufacturing sectors, which often need space and fewer constraints for transport.

Networks of small- and medium-sized cities are composed of several centres of small and medium size, functionally linked often through non-hierarchical relationships. These linkages can be based on functional complementarities, such as inter-sectoral linkages, commuting flows, value chains, etc. The development potential and attractiveness of these networks has been associated with their accessibility to urban cores, their capacity to provide skilled labour for specialised industrial clusters, and their cultural dynamism (especially small cities with university campuses). The urban and rural areas are less clearly separated, and often strongly linked with one another. In these polycentric regions, advantages of scale and agglomeration economies can be achieved through network relationships of complementarities, avoiding the disadvantages of congestion (Meijers and Burger, 2010; Lee and Gordon, 2007). Successful networking implies co-ordination, either in the functions played by each centre or in increased synergy among centres specialised in similar functions. Complementarities among urban places are important in these regions. Two or more cities can complement each other functionally by offering residents and firms in their conjoined hinterlands access to urban functions usually only offered by higher-ranking cities.

Sparsely populated areas with market towns are predominantly rural, with a particularly low population density. Small urban centres concentrate some functions, but economic activities in rural areas support the small towns. The spatial organisation of this kind of region makes service provision a major challenge. Urban-rural or rural-rural co-operation (partnership) is often justified by the low density and low size of the administrative units, which are often not economically and financially able to provide services. In this third spatial category, urbanisation pressures are much lower and the core of rural-urban linkages are interactions between small towns and the surrounding countryside. In these regions, urban-rural linkages and co-operation can play a major role in satisfying the need to achieve economies of scale for the provision of services, to diversify the economy and to improve the capacity of administration. In addition, in rural regions whose economy is based on natural resources, co-ordination between rural areas, where these resources are located, and cities, which host strategic functions and competences, can help rural communities retain the benefits of the exploitation of resources (OECD, 2010).

Trends in urban and rural areas

Rural-urban partnerships are rooted in the linkages between urban and rural areas. To understand the context of these partnerships, this section provides empirical evidence on the trends and conditions – in terms of economic, demographic and land-use processes – of urban and rural areas in the OECD and on their interactions. The analysis uses the OECD classification of small administrative regions (TL3), which allow a consistent comparison among OECD countries. Small regions (TL3) are classified into

three categories, predominantly urban, predominantly rural and intermediate, on the basis of their urbanity or rurality (OECD, 2009b; see Box 1.1). A more coherent analysis of urban-rural relationships should consider functional regions as units of analysis, but TL3 regions can be used here to provide OECD-wide quantitative evidence covering all types of territory.

Box 1.1. **What is a "region"? OECD definitions and urban/rural typology**

OECD regions

The word region is used in this report to identify sub-national units that in most cases are granted administrative powers. The OECD classifies regions in two territorial levels. The higher level (Territorial Level 2 or TL2) is the first administrative tier of sub-national government. Examples include the province of Ontario, Cataluña, including Barcelona, and the Ile-de-France, including Paris. The lower-level regions (Territorial Level 3 or TL3) always lie within the borders of TL2 regions, which in turn lie within countries' boundaries. The OECD includes 362 large regions (TL2) and 1 794 small regions (TL3). This classification in two tiers allows international comparison among sub-national territorial units of comparable size. In most countries, these two levels are also used as a framework for implementing regional policies, since they are officially established and stable across the OECD. In the case of European countries, the OECD territorial classification is largely consistent with the Eurostat classification of NUTS2 and NUTS3 regions.

OECD regional typology

OECD TL3 regions can differ widely in morphological characteristics and patterns of agglomeration of population and economic activities. In other words, TL3 regions across OECD countries can exhibit different degrees of urbanity and rurality. A TL3 region that contains a large city potentially extending beyond its regional boundaries will be very different from another TL3 region with no large city and very low density patterns. In 2009, to account for these differences, OECD classified all TL3 regions into three types: *i)* predominantly urban (PU); *ii)* intermediate (IN); and *iii)* predominantly rural (PR). The methodology employed in building this classification is mainly based on the share of population living in rural areas within each region and the size of the urban centres contained in the TL3 region. In turn, the distinction between urban and rural areas within each region is based on the value of population density in the regional municipalities. The detailed criteria employed for this classification are the following:

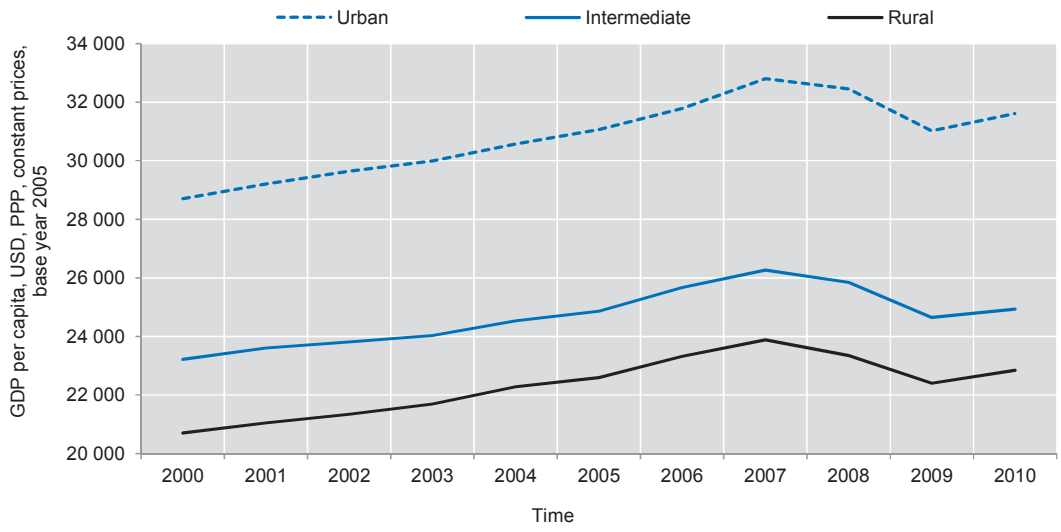
First step: Population density	A municipality (or equivalent administrative building block) within a TL3 region is defined as **rural** if its population density is below 150 inhabitants/km² (500 inhabitants for Japan, to account for the fact that its national population density exceeds 300 inhabitants/km²).
Second step: Settlement patterns	A region is classified as: Predominantly rural (PR) if more than 50% of its population lives in rural municipalities. Predominantly urban (PU) if less than 15% of the population lives in rural municipalities. Intermediate (IN) if the share of the population living in rural municipalities is between 15% and 50%.
Third step: Urban centres	A region previously classified as PR (IN) becomes IN (PU) if it has an urban centre with at least 200 000 (500 000) inhabitants, representing 25% of the regional population.

Source: OECD (2009), "Regional typology: Updated statistics", OECD, Paris, www.oecd.org/gov/regional/statisticsindicators.

How economic prosperity differs between urban and rural regions in the OECD

Growth trends in terms of GDP per capita in small OECD regions show a high degree of heterogeneity. Growth takes different forms in different types of regions along the urban-rural hierarchy. On the whole, there is a gap in the average levels of GDP per capita by type of region, with urban and rural regions showing the highest and lowest average values, respectively.[1] This gap remained virtually unchanged during the decade between 2000 and 2010 (Figure 1.2).

Figure 1.2. **Trends of GDP per capita in OECD small regions (TL3) by type of region**



Source: OECD (2013), *OECD Regional Statistics* (database), http://dx.doi.org/10.1787/region-data-en.

The economic literature provides explanations for the reasons why urban regions are on average wealthier than rural regions. The spatial concentration of people and economic activities brings advantages in terms of higher wages and productivity (Martin and Ottaviano, 2001). These advantages – also called agglomeration economies – are thought to emerge through higher economies of scale, labour market pooling, knowledge spill-overs and network effects in areas with a high density of population and economic activities (Ciccone, 2002; Rosenthal and Strange, 2004). In turn, these advantages emerge from three specific mechanisms, such as learning processes, matching between supply and demand of labour, and sharing of information among economic actors, all of which are facilitated by highly dense environments (Duranton and Puga, 2004; Puga, 2010). These mechanisms help explain why many developing countries are urbanising rapidly, as well as why, globally, the degree of a country's urbanisation is positively correlated with its level of GDP per capita (World Bank and IMF, 2013: 100).

Opportunities for growth exist in all types of regions

Despite the advantages of agglomeration that benefit mostly urban regions, opportunities for growth exist for all types of regions. Two stylised facts emerged from previous analysis on rural regions (OECD, 2006): first, that rural is no longer synonymous with agricultural; and second, that rural is not synonymous with decline. Rural regions can in fact be very productive. Table 1.1 compares the growth rates in

urban, intermediate and rural regions in a number of indicators from 2000 and 2010, the latest year for which regional data are available. It reveals that:

- Rural regions on average grew faster (1.33%) in GDP per capita than intermediate (0.78%) and urban (0.94%) regions over the whole decade, despite suffering a larger decline during the crisis.
- Productivity growth was also higher in rural regions (0.80%) over the whole period.
- The rates of growth in overall GDP do not differ substantially between predominantly urban and predominantly rural regions.
- The largest increases in unemployment rates occurred in rural and urban regions (0.22 and 0.19 percentage points per year, respectively).
- Employment rates decreased on average in rural regions, while increasing, albeit slowly, in urban and intermediate regions.

Table 1.1. **Average annual growth rates among OECD TL3 typology, 2000-2010**

	Urban	Intermediate	Rural
GDP	1.44%	1.10%	1.39%
GDP per capita	0.94%	0.78%	1.33%
GDP per worker	0.62%	0.51%	0.80%
Unemployment rate (pp)	0.19	0.11	0.22
Employment rate (pp)	0.10	0.02	-0.21
Participation rate (pp)	0.19	0.14	-0.04

Note: For reasons of data availability, indicators do not include Iceland, Israel, Denmark, Mexico and Turkey. GDP and GDP per capita do not include Australia, Canada, New Zealand, Switzerland or the United States. GDP per worker does not include Italy and Japan.

Source: OECD (2013), *OECD Regional Statistics* (database), http://dx.doi.org/10.1787/region-data-en.

Predominantly rural regions appear to have entered into a process of convergence. Convergence enabled regions that fell behind in economic conditions to catch up with richer regions by means of imitation processes and importing technological and managerial innovations (Williamson, 1965). The different economic performances of predominantly urban and predominantly rural regions are thus influenced by two kinds of forces. On the one hand, the convergence processes make lagging regions – which are mostly rural – grow faster; on the other hand, agglomeration economies keep a high level of prosperity in more dense regions (OECD, 2012b). In general, rural regions are well represented among the fastest-growing regions in OECD countries (OECD, 2011) and for 2000-2010, these regions showed slightly higher average growth rates of GDP per capita.

Table 1.2 benchmarks the growth performance by three types of regions within OECD countries. These figures reveal:

- In 11 out of 21 OECD countries where the comparison is possible, rural regions recorded the fastest pace of growth in GDP per capita growth over the period 2000-2010.

- In 9 out of the 21 countries considered, rural regions recorded the slowest pace of growth among types of regions on average.

These trends suggest there was a heterogeneous performance among types of OECD regions during the decade between 2000 and 2010 and that both rural and urban regions show potential for growth. Table 1.2 also shows that the growth in urban regions is particularly high in new European member countries (e.g. Czech Republic, Hungary, Poland), and that growth in older EU member countries is more even. Such patterns could present challenges in land-use management, provision of services and sustainable development.

Table 1.2. **Average annual growth rates in GDP per capita in OECD TL3 regions by type and country, 2000-2010**

	Urban (predominantly urban)	Intermediate	Rural (predominantly rural)
Austria	0.51%	0.92%	1.56%
Belgium	0.84%	0.86%	0.40%
Czech Republic	4.22%	2.78%	2.66%
Estonia	3.82%	3.94%	2.20%
Finland	1.27%	-0.02%	1.61%
France	0.93%	0.06%	-0.17%
Germany	0.92%	1.00%	1.09%
Greece	3.13%	-0.02%	0.51%
Hungary	3.47%	1.88%	0.65%
Ireland	2.54%	.	0.13%
Italy	-0.15%	-0.06%	0.13%
Japan	0.17%	0.33%	0.51%
Korea	3.07%	4.05%	5.26%
Luxembourg	.	1.21%	.
Netherlands	0.83%	1.42%	.
Norway	0.88%	1.75%	1.21%
Poland	4.17%	3.89%	3.82%
Portugal	0.13%	0.22%	0.63%
Slovak Republic	7.40%	4.72%	3.78%
Slovenia	.	2.50%	2.18%
Spain	0.57%	0.76%	1.24%
Sweden	1.47%	1.24%	1.82%
United Kingdom	1.31%	1.11%	1.15%

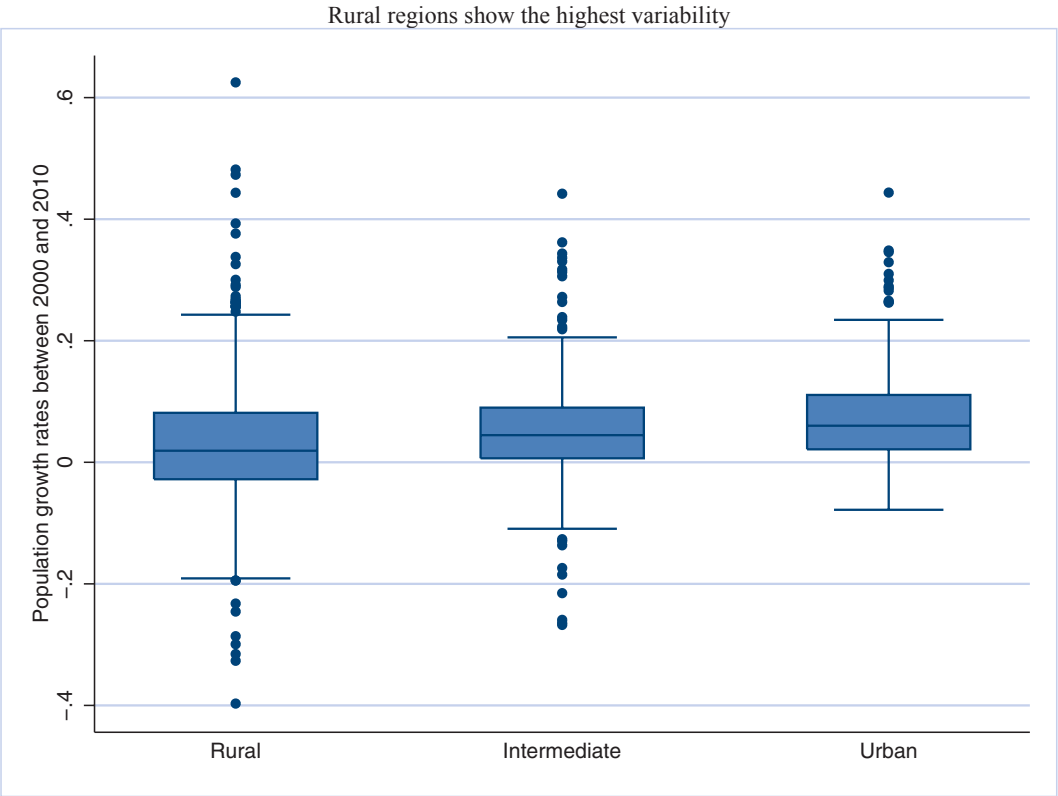
Source: OECD (2013), *OECD Regional Statistics* (database), http://dx.doi.org/10.1787/region-data-en.

Population dynamics are complex along the urban-rural continuum

Demography is a central issue in considering relationships between urban and rural areas. In the long term, variation in population can approximate variation in well-being of people, who migrate on the basis of their own preferences and job opportunities. Average population growth rates over the decade 2000-2010 show no clear divide based on the degree of urbanity/rurality. All types of regions show positive growth rates on average, and rural regions should not necessarily be seen as facing a phase of decline. In the period studied, predominantly urban and predominantly rural regions grew, on average, by 7.2% and 2.6%, respectively. Intermediate regions grew in the same period by 4.7%. However, the picture of demographic dynamics becomes more complex when looking at how variable these growth rates can be. Rural regions show a much higher variance than the

others, with peaks of very high and very low values (Figure 1.3). In other words, some rural regions are rapidly declining while others are outperforming urban ones. Part of this variability can be explained by the intensity of urban-rural linkages. The higher the integration between "urban" and "rural", the higher the average growth rates of population. Theoretical and empirical arguments to support this statement are provided below.

Figure 1.3. **Population growth rates in OECD regions (TL3) by type of region**



Source: OECD (2013), *OECD Regional Statistics* (database), http://dx.doi.org/10.1787/region-data-en.

More integration between urban and rural is key for demographic dynamics: Distance matters

Economic theory can help illuminate urban-rural linkages and their role in shaping regional economic performance. A traditional interpretation is provided by the spread-backwash effects literature (Myrdal, 1957; Hirschman, 1958), which originally focused on the nature and possible effects of trade linkages, but which can be usefully transposed to urban-rural interactions. "Spread" effects refer to general positive effects for a place that is "close" to another well-performing place. Conversely, when this closeness brings about adverse effects, "backwash" effects come into play. When both effects are at work, the net result will depend on the nature of the linkages and the distinctive features of the regions (Partridge et al., 2007; Feser and Isserman, 2006). Spread and backwash effects, considered in terms of urban-rural linkages, do not operate in only one direction. Agglomeration economies that can boost urban population growth in the long term can be a source of spread effects from urban to rural areas and vice versa. In this respect, some

evidence has been found showing that economic growth in rural areas can have a stronger positive effect on urban ones, as compared with the reverse (Hughes and Holland, 1994). These stronger backward effects from the periphery to the core can be due to the fact that the growth of economic activities in the periphery normally increases other service activities in the core, like real estate, banking and retail trade. This is due to the rural use of urban "higher ordered" services, which tend to be concentrated in urban areas (Glaeser and Kohlhase, 2004).

One point to consider when analysing urban-rural linkages is the distance between urban and rural areas. Physical proximity can approximate the intensity of urban-rural relationships for several reasons. First, people move daily across a limited amount of space. Second, physical distance to a particular facility (e.g. a service facility, a place of work, etc.) is a first basic measure of accessibility. In addition, it also gives an idea of the physical extent of commuting patterns. Commuting may be substituted for by population migration affecting the spatial distribution of population and activities, and challenging or helping the economies of both urban centres and rural hinterland. The economic literature on this topic generally claims that rural areas closest to urban centres are more likely to benefit from spread effects from urban growth, while these positive externalities tend to disappear as distance increases (Partridge et al., 2007). The hypothesis is that, at least to some degree, linkages between two areas are stronger the closer the two areas are.

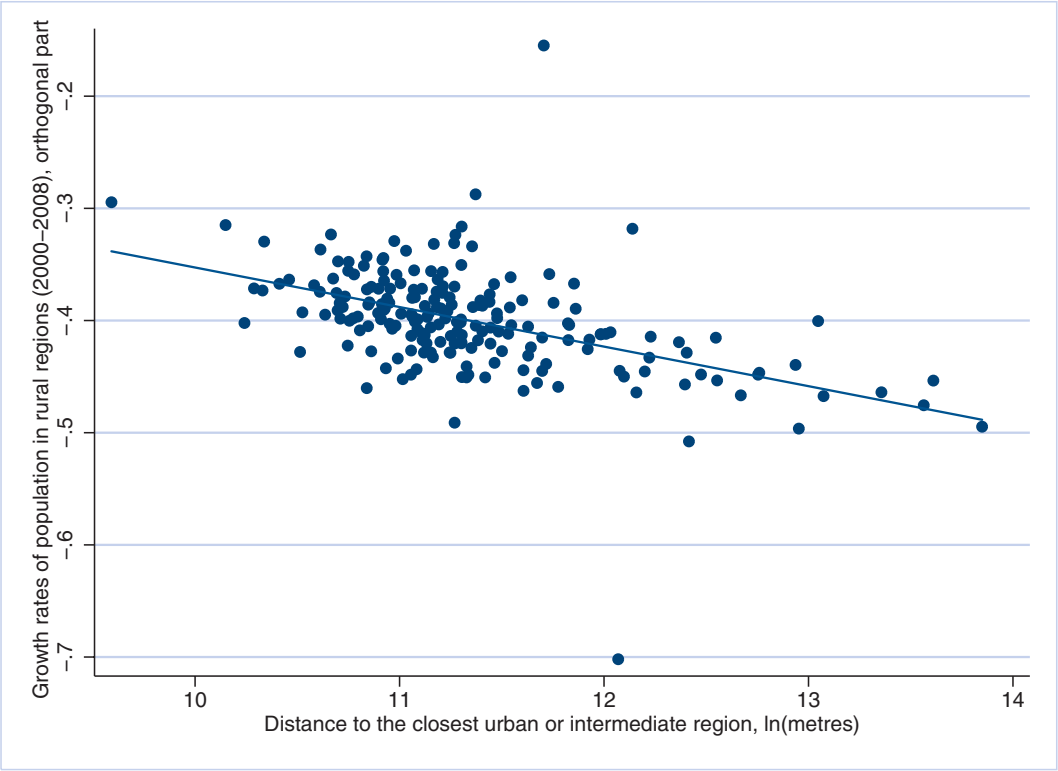
Positive and negative externalities of local economic processes are stronger between contiguous areas, and socio-economic interdependences are strongly affected by distances between urban and rural areas. Empirical analyses of OECD small regions (TL3) found that population growth rates in predominantly rural regions between 2000 and 2008[2] were positively associated with the growth in the closest urban or intermediate regions and with their distance to the latter (Veneri and Ruiz, 2013) (see Annex 1.A1 for details). The main results of the analysis are summarised below.

- Rural regions benefit from positive growth spill-overs – both in terms of population and GDP per capita – as the closest urban regions grow. This result is consistent with the hypothesis that, at least in terms of demographic dynamics, spread effects overcome backwash effects.
- Even after controlling for spill-over effects, high proximity between urban and rural regions has a positive effect on population growth (Figure 1.4). Rural regions closer to urban regions grow on average at higher rates than more remote regions. This suggests that in most cases there is complementarity rather than competition between neighbouring urban and rural areas and that integration is positive. At the spatial level considered here (TL3), which is not always constrained within the daily commuting sphere, the population growth of urban centres is generally not associated with the depopulation of neighbouring rural regions. Such results have also been observed at other smaller spatial scales, where the units of analysis were municipalities or even smaller units (Partridge et al., 2008).
- Proximity to predominantly urban regions has a higher effect on rural population growth than proximity to an "intermediate" region. Both predominantly urban and intermediate regions have urban centres that can benefit their surroundings. However, a higher degree of "urbanity" may provide neighbouring areas more advanced services, stronger agglomeration economies and more diverse amenities that increase the benefits of proximity.

- The positive effect of physical proximity between urban and rural regions decreases more than proportionally with distance.
- Finally, there is also a positive correlation between population growth rates among neighbouring rural regions. This might support the idea that linkages among rural areas can also be a source of spread effects. Economic processes taking place in one region may spill over spatially to neighbouring regions, creating a relationship of mutual interdependence.

Figure 1.4. **Population growth in rural regions and distance to the closest urban or intermediate region**

Residual variance explained



Source: Veneri, P. and V. Ruiz (2013), "Urban-to-rural population growth linkages: Evidence from OECD TL3 regions", *OECD Regional Development Working Papers*, No. 2013/03, OECD Publishing, http://dx.doi.org/10.1787/10.1787/5k49lcrq88g7-en.

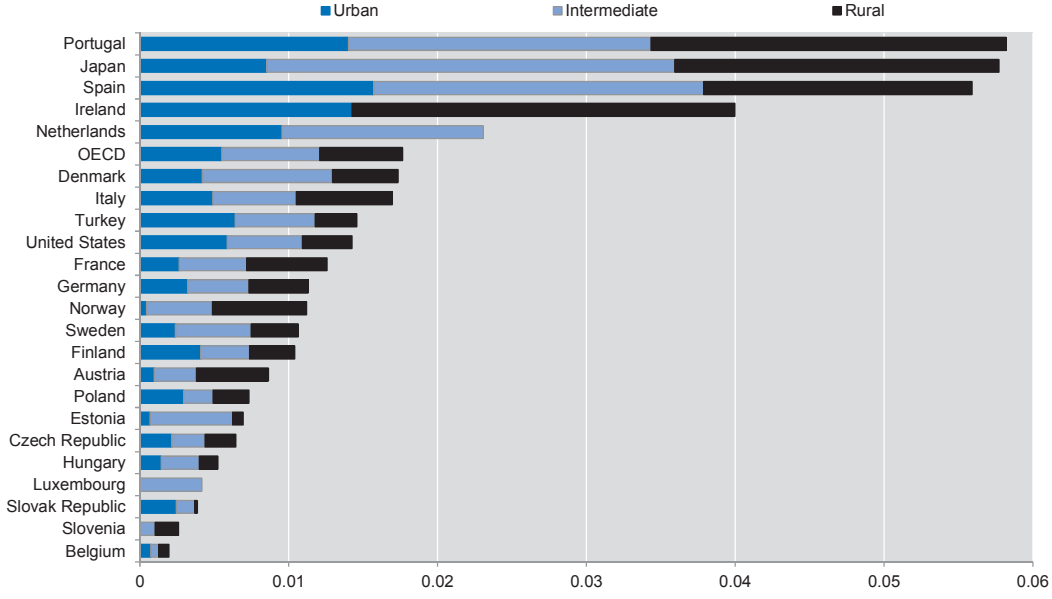
Urban land is growing more in intermediate regions, and this process needs co-ordination and planning

Urbanisation is changing land use. The growth in urban land accommodates the pressure of the growth of population and economic activities in a given area. It is driven by individuals and firms, which require space to carry out their activities. However, land development determines changes in the regional environment that individuals do not always fully recognise. This is particularly evident in rural areas, which may benefit from high natural capital and landscape. The most frequently reported consequences of excessive and fragmented land development (sprawl) include higher infrastructural costs and less efficient service provision, loss of landscape and ecosystems, higher dependency

on individual means of transport, and pollution (Bhatta, 2010; Travisi et al., 2010). On the spectrum of urban and rural places (especially at the intra-regional level, between functionally interdependent urban and rural areas), co-ordinating decisions and integrating planning can help regions grow with effective land evaluation systems, while maintaining efficiency in service provision, environmental quality and infrastructure supply.

In the last decade, the growth rates of urban land followed different patterns across countries (OECD, 2011b). Figure 1.5 shows the average annual growth rate of urban land between 2000 and 2006 across small regions in 23 OECD countries, by distinguishing for the type of region in terms of urbanity/rurality. The figure indicates that Turkey and the United States are the only two countries where predominantly urban regions show the highest growth of urban land. In Austria, France, Ireland and Portugal, the regions developing fastest are predominantly rural. However, in the OECD, intermediate regions have the highest growth in urban land, and urban regions show the lowest values. While predominantly rural regions might be subject to less pressure from urbanisation because of the lack of strong urban centres, many urban regions may have reached a phase where land development is decreasing, due to congestion.

Figure 1.5. **Annual average growth rate of urban land between 2000 and 2006**



Source: OECD elaborations on CORINE Land Cover (Europe), NLSI data (Japan), National Land Cover Dataset (United States).

Institutional factors that facilitate integration, dialogue and engagement are crucial for growth

The role of institutional factors on the economic performance of countries and regions has been examined for decades. Defining what those institutional factors are has been a challenge, since they are subject to different interpretations. At the regional scale, the many case studies conducted by the OECD in recent years have shed light on the importance of institutional factors at the sub-national level, addressing multi-level governance challenges and giving rise to an important conceptual framework identifying a number of gaps (Charbit and Michalun, 2009; see Chapter 5).

Additional thematic studies have provided further evidence of the importance of institutional factors for regional performance. One of these studies, *Promoting Growth in All Regions*, identifies some key drivers and bottlenecks of growth over the period 1995-2007, through 23 observations from OECD regions. Table 1.3 displays the most common combined growth factors and bottlenecks. It ranks the thematic areas from high to low, according to how many regions experienced them. Interestingly, policy-related and institutional factors appear to be amongst the most frequent growth factors and bottlenecks.

Table 1.3. **Growth factors and bottlenecks ranked by number of occurrences from field analysis**

	Thematic areas	Growth factors, ranking	Bottlenecks, ranking
1	Policies	13	13
2	Human capital	12	11
3	Innovation	7	13
4	Infrastructure connectivity	11	8
5	Institutions	8	9

Source: Based on OECD (2012), *Promoting Growth in All Regions*, OECD Publishing, http://dx.doi.org/10.1787/9789264174634-en.

The institutional factors identified in the thematic areas consider governance, leadership, capacity, continuity and mobilisation. These include using negotiation and dialogue as a way of mobilising key actors; institutional arrangements that support economic development; giving regional actors a common voice and strong position; and an active role for key local public and private actors focusing on innovation and workforce development/retention. Regarding the institutional bottlenecks of growth, the most common include poor mobilisation of stakeholders; lack of continuity and coherence in policy implementation by institution; institutional instability; lack of a common and strategic vision; low capacity and gaps in multi-level governance. The institutional factors highlighted are crucial for enhancing stronger relationships between private and public actors in urban and rural areas, which can build effective and sustainable partnerships to achieve common objectives and better economic conditions.

From linkages to partnership

Defining rural-urban partnership

As noted earlier, urban and rural areas are increasingly integrated, and this integration covers a complex set of linkages (e.g. population and labour market flows, public service provision, transport network, environmental services, etc.). Improving these market and non-market connections enhances the development of both urban and rural populations. Rural-urban partnership is defined here as the mechanism of co-operation that manages these linkages to reach common goals and enhance urban-rural relationships. Depending on the purposes of the partnership, the actors involved will vary from public sector or private sector only to a mix of public, private and other actors. As employed here, the concept of rural-urban partnership has distinct features, involving a collaboration with:

- an awareness of the interdependency of rural and urban areas in a given space (functional region)

- a membership mix that includes the relevant rural and urban representatives
- a framework for action or objectives that represents mutual interests (urban and rural)
- initiatives aimed at yielding collective benefits to urban and rural partners
- an organisational form that is fit for purpose to help realise the partnership's objectives.

Among the characteristics that distinguish rural-urban partnership from other types of territorial co-operation is the fact that both urban and rural areas must be directly involved in the process. This implies including urban and rural stakeholders, such as public authorities – e.g. urban and rural municipalities – and/or private agents (firms, civil society, etc.). Common to all rural-urban partnerships is a common set of objectives intended to be managed jointly, in a space where urban and rural dimensions are physically and/or functionally integrated.

Forming a single integrated government that covers the entire urban and rural territory of the region is one way to achieve and manage urban-rural integration, but this approach is rarely chosen. For many local government functions, the spatial differences between urban and rural areas justify distinct local governments. Similarly, a well-designed regional government with the right boundaries and a comprehensive set of appropriate authorities could also manage the integration between urban and rural areas. However, regional governments do not often have the appropriate boundaries and powers to co-ordinate the full spectrum of urban-rural linkages. Rural-urban partnerships are a possible response to gaps in existing levels of governance of urban-rural relationships.

Rural-urban partnerships can help deliver services and public goods, develop public goods and improve administration, focusing on spaces of functional territorial integration. Because they are driven by linkages between urban and rural areas, rural-urban partnerships reflect the existence of complementarities, which in turn allow territories to join efforts and resources to reach common objectives that cannot be achieved in isolation (or at least not as effectively). However, such partnership does not always emerge naturally, since co-operation may be complicated by several factors, such as differences between rural and urban areas in terms of capacity, economic and political power, and difficulties in recognising the interdependencies that would justify a joint action (e.g. implications of uncoordinated land use). Understanding functional interdependencies between urban and rural areas and the benefits that can be achieved through rural-urban co-operation can help to overcome these barriers.

Distinguishing urban from rural

Rural-urban partnership, like any form of co-operation, is based on shared interests. In trying to identify what distinguish such partnerships from other more general forms of territorial co-operation, it is worth looking at the sources of these interests. As noted, urban and rural areas are increasingly integrated and it is increasingly difficult to identify them definitively. The increasing importance of peri-urban areas provides evidence for this trend. Moving towards commonalities and interdependencies, in a functional region approach, is one way to understand rural-urban partnership. However, by focusing on the archetypical characteristics of urban and rural places, it is possible to identify different resources and strengths that are crucial for economic development and quality of life and that give a basis for co-operation between "urban" and "rural". Table 1.4 shows a broad classification of the key resources/factors of development in both types of area.

Table 1.4. **Resources/factors of development provided by urban and rural places**

Rural resources	Urban resources
Small and medium enterprises	Advanced education and skills
Natural resources	Capital (financial and physical)
Amenities/landscape	Scale allowing for higher capacity of administration
Ecosystem services (environmental goods)	Large markets
Greenfields	Advanced services

Rural territories have a set of key resources that are also crucial for urban areas. First, a large part of natural resources are concentrated in rural areas, such as food (agricultural products), water and sources of renewable energies (e.g. bio-mass production). Rural areas have on average higher shares of small and medium enterprises and self-employed workforce (Bollman and Alasia, 2012). In addition, low-density areas – well connected to urban ones – are an appropriate environment for locating manufacturing (Glaeser and Kohlhase, 2004). Meanwhile, greenfields are other important resources that are more abundant in rural territories. They are crucial factors for economic development, essential spaces to establish new economic activities and to accommodate eventual pressures from urbanisation.

Rural areas provide ecosystem services that are fundamental for overall environmental sustainability and for citizens' quality of life. Ecosystem services can be defined as collective benefits ("services") that are provided by resources available in the ecosystem, which are obviously not infinite. They include air quality, waste disposal and its decomposition, preservation of biodiversity and other products or processes related to environmental sustainability. Some generate positive externalities, and their contribution to citizens' welfare may not be fully taken into account in the decisions made by private and public agents. Rural areas also provide amenities for residential and recreational purposes and symbolic values and lifestyles different from urban ones, which both urban and rural dwellers often demand. Landscape is another territorial resource of rural areas that can be conceptualised as a public good. It can be highly valued as a factor that increases quality of living and also the potential for tourism.

Urban areas are engines of economic development and concentrate resources relevant for the liveability and the prosperity of rural areas. Universities and tertiary education facilities are generally located in urban areas, as are most jobs in the advanced services. This is due to agglomeration externalities, which ensure a productivity premium for economic activities located in high-density environments. Cities provide large markets for their functional region and beyond, where these markets benefit local productive activities – e.g. selling local products to local consumers. Large markets are also important from the perspective of the demand side. Urban density has been found to be significantly helpful in facilitating consumption, since cities ensure access to complex patterns of consumption for both urban and rural dwellers (Glaeser et al., 2001). Moreover, urban areas concentrate political power and administrative capacity, which can help in carrying out administrative tasks and achieving objectives when public actors have to define and manage complex activities. Finally, cities attract capital flows and concentrate financial institutions and a large part of the physical capital of a territory (e.g. infrastructure, buildings).

These different resources, typically more evident either in urban or rural places, are actually intermixed in functional regions where "urban" and "rural" are loosely interconnected. These resources may produce potential complementarities that can be exploited and governed through rural-urban partnership. This can take different forms depending on the objectives pursued, the stakeholders involved and the governance structure in place. In addition, the purposes of rural-urban partnership may emerge more often in certain types of territory. In all cases, rural-urban partnerships are rooted in the existing linkages between urban and rural areas. Rural-urban partnership is a tool to achieve goals that would otherwise be difficult to achieve. Such goals, including broad economic development objectives, environmental issues and service provision, will be analysed in detail in Chapter 2.

The limited knowledge of the rationale for urban-rural co-operation and its factual implications has for over a decade prompted a series of studies and international research programmes. In Europe, these studies were mostly framed in the European Spatial Development Perspective (ESDP), which put urban-rural relationships at the centre of the European agenda of regional policy as a means to achieve social, economic and environmental sustainability (European Commission, 1999). An important first study was the Study Programme on European Spatial Planning (SPESP, 2000), followed by other work, sometimes conducted within the European Spatial Planning Observation Network (ESPON), notably the EDORA project (Noguera-Tur and Lückenkötter, 2009), and recent reports by Eurocities (2011) and Metrex (Kelling, 2011). Among their main findings was that the phenomenon of partnership is complex and heterogeneous, both in terms of the nature and the functioning of the relationships among actors. In addition, the concept of functional region emerged as the appropriate spatial level for co-operation and partnerships (Freshwater et al., 2011). More recently, the existing evidence on rural-urban partnerships in Europe has been collected by Artmann et al. (2012).

This chapter has provided a conceptual framework and empirical evidence to help understand the relationships between urban and rural areas. Finally, rural-urban partnerships are introduced as a possible tool for managing these relationships. The following chapters analyse several aspects of these partnerships. The rest of the report is based on the analysis of 11 case studies of rural-urban partnerships in different regions in the OECD. These regions are listed in Table 1.5. If a specific body managing rural-urban relationship was analysed, this is noted in italic, rather than using the name of the region. Of course, case studies do not necessarily reflect the general situation of the country to which they belong. Chapter 2, "Purposes and outcomes of rural-urban partnership", first examines rural-urban partnerships according to purpose and type of actors. Then, it sheds light on the reasons why partnerships can help economic development. Some evidence from case studies on the different purposes and benefits underlying partnerships is also presented in this chapter. Chapter 3, "Taking a functional region approach to rural-urban partnerships", sets out findings on the different geographies of rural-urban partnerships, based on the observations from the case studies. It defines functional regions by type of territorial interaction, highlighting the challenges of putting the concept of functional region into practice for policy. The fourth chapter, "Understanding the dynamics of rural-urban partnerships", provides an overview of the key characteristics of rural-urban partnerships. It highlights some factors that seem to form the core of the rural-urban collaboration and make the partnership work, as well as some that can constrain it. Chapter 5, "Creating a governance framework for rural-urban partnerships", outlines the main governance approaches to rural-urban co-operation and an assessment of the strengths and weaknesses of each approach. Finally, the last chapter provides a list of

recommendations on how to build effective rural-urban partnerships, highlighting the possible role of different government levels.

Table 1.5. **List of the case studies analysed**

Prague-Central Bohemia, Czech Republic	*Geelong Region Alliance (G21)*, Geelong, Australia
Jyväskylä and Saarijärvi-Viitasaari, Central Finland, Finland	*Nuremberg Metropolitan Region*, Germany
Extremadura, Spain	*Rennes Métropole*, France
Central Zone, Western Pomerania, Poland	*Province* of Forlì-Cesena, Italy
Beira Interior Sul, Portugal	*BrabantStad*, Netherlands
Lexington, Kentucky, United States	

Notes

1. Figure 1.2 includes all the regions for which data on GDP from 2000 to 2010 were available. The list of countries included is the same as in Table 1.2.
2. Considering the period from 2000 to 2008 makes it possible to abstract the period after the economic downturn and to consider more structural relationships.

Annex 1.A1. The effect of proximity between urban and rural regions

Data and selection of variables

The estimated model includes 206 OECD TL3 regions that are predominantly rural. They are taken from 14 OECD countries only,[1] due to the lack of data for some of the variables used in the analysis. The sample includes both European and Asian countries.

Table 1.A1.1. **Variable used for the analysis of urban-to-rural population growth linkages**

Variable	Description	Abbreviation
Population growth in rural regions	Rate of population growth between 2000 and 2008 in rural regions (%)	Δpop
Distance (km)	Distance in kilometres from each rural region to the closest urban or intermediate region. The distance is computed using GIS tools from the centroids of the two regions	Dist
Elderly dependency rate – 2000, rural regions (%)	People older than 64 over people aged between 15 and 64 years old	Age
GDP real prices (USD PPP) 2000, rural regions	GDP in real price, US dollars, purchasing power parity	Gdp
Share of employment in industrial activities – 2000, rural regions (%)	Share of employment in industrial sectors (C, D, E following NACE classification) over total employment	industry
Unemployment rate – 2000, rural regions (%)	Unemployment rate (%)	unempl
Growth rate of real GDP, 2000-08, urban and intermediate regions (%)	Growth rate of real GDP in urban or intermediate region between 2000 and 2008 (%)	Δgdp*Urban
Dummy, urban region = 1	Dummy variable: 1 if the closest region is urban and 0 if the closest region is intermediate	Urban
Interaction between GDP growth in urban region and distance	Distance to the closest urban or intermediate region times its GDP growth rate between 2000 and 2008	Δgdp*Dist
Matrix of spatial weights	Binary matrix of distances between rural regions (value is 1 for the four nearest neighbours of each rural region). This is included to deal with possible spatial auto-correlation	Wy

Note: All variables refer to the year 2000, except when specified.

Source: Based on Veneri, P. and V. Ruiz (2013), "Urban-to-rural population growth linkages: Evidence from OECD TL3 regions", *OECD Regional Development Working Papers*, No. 2013/03, OECD Publishing, http://dx.doi.org/10.1787/10.1787/5k49lcrq88g7-en.

The variable used in the analysis can be divided into three sets of information (Table A1.1). The first concerns basic regional characteristics that may explain the population growth rate in rural regions and that, in this analysis, represent fundamental control variables. This information includes measures of regional sectoral specialisation,

unemployment rate and demographic structure. A second set of variables is related to the relationship between urban and rural regions. The main information here is the distance to the closest urban or intermediate region, as well as its growth rate, either in terms of population or GDP per capita. While the growth rate of the closest urban region accounts for the spill-over effect of growth processes, the distance variable accounts for the effect of urban-rural relationships. A dummy variable indicating whether the closest region is an urban or an intermediate one is also included in order to differentiate different sources of externalities. The third set of variables consists of additional control variables, aimed at reducing the issues of omitted variables or spatial heterogeneity. Country dummies are included in this third set. They can also account for institutional features, fiscal policy and other macroeconomic conditions.

Besides physical proximity, several characteristics of urban and rural areas determine the dominance of spread vs. backwash effects in spatial relationships. The composition of the industrial base is thought to be relevant, since some sectors can generate stronger spatial externalities than others. Among the sectors with the highest spill-over effects, it is worth mentioning transport and the processing of natural resources (Hughes, 2009). A relatively high specialisation in agriculture can be also relevant in explaining the dominance of backwash effects. In fact, the restructuring economy – involving reductions in agricultural activities or simply increases of labour productivity in agriculture – has been found to be associated with general population outflows (Brezzi and Piacentini, 2010). Other characteristics that can affect the spatial relationships between urban and rural areas are related to the role of manufacturing. An analysis by Glaeser and Kohlhase (2004) shows that manufacturing tends to become more important as urban density declines. However, when density reaches particularly low values – such as in the remote rural areas – the presence of manufacturing diminishes. These findings are consistent with identifying peri-urban areas as the best location for manufacture. In addition, they confirm the idea that spread effects overcome backwash effects for shorter distances, while backwash effects increase with distance.

Empirical specification

To assess the role of distance between urban and rural regions, as well as that of spill-over effects, a linear cross-sectional model was chosen. The baseline model chosen assumes the following specification.

$$\Delta pop_{i,j(t-0)} = \propto + \beta\, dist_{i,J0} + \gamma\, \Delta gdp * Urb_{i,J(t-0)} + \delta\, gdp_{i,J0} + \partial\, age_{\,i,J0} + \omega\, unempl_{i,J0} + \varphi\, industry_{i,J0} + \sigma\, urban_{i,J} + \pi\, country_J + \varepsilon_{i,J} \quad [1]$$

Coefficients of equation [1] can in principle be estimated through a simple linear model (OLS). However, given that units of analysis have a geographical nature and are sometimes in close proximity, several issues of spatial dependence can potentially introduce biases in the estimations. This problem has been dealt with through adding among the independent variables the population growth rate of neighbouring rural regions (spatial autoregressive model). The coefficient associated with such a variable could represent either the presence of other omitted variables or another spill-over effect among rural regions only. Results are reported in Table A1.2.

Table 1.A1.2. **Estimation results**

Dependent variable: Population growth rate in rural regions, 2000-08		
Independent variables [A]	[Mod 1] Spatial lag model with square distance (robust standard errors)	[Mod 2] Spatial lag model with interaction (robust standard errors)
Intercept	0.179***	0.176***
	(0.0305)	(0.0288)
Wy	0.557**	0.497**
	(0.234)	(0.212)
Distance (km)	-2.52e-4***	-0.377e-4**
	(9.52e-5)	(1.89e-5)
Square of distance (km)	2.12e-4**	-
	(1.01e-4)	-
Elderly dependency rate – 2000, rural regions (%)	-34.7e-4***	-35.9e-4***
	(6.53e-4)	(6.21e-4)
GDP real prices (USD PPP) – 2000, rural regions	0.102e-5*	0.0861e-5*
	(0.0521e-5)	(0.0475e-5)
Share of employment in industrial activities – 2000, rural regions (%)	-0.107**	-0.103**
	(0.0459)	(0.0426)
Unemployment rate – 2000, rural regions (%)	-0.355***	-0.388***
	(0.0974)	(0.0913)
Growth rate of real GDP, 2000-08, urban and intermediate regions (%)	0.0401*	0.0716***
	(0.0217)	(0.0254)
Dummy, urban region = 1	0.0147**	0.015**
	(0.00725)	(0.00689)
Interaction[B] between GDP and distance	-	-0.302*
	-	(0.178)
n. obs.	206	206
Adj. R-squared	0.558	0.555
Wald (p-value)	13.2 (.000)	13 (.000)
Moran's *I* (p-value)	-0.10 (.991)	-0.09 (.964)

A: Both models used country dummies to account country effects; for model (1), dummy coefficients are statistically significant for Austria, Germany, Spain, Hungary, Japan and Norway, while for model (2), dummy coefficients are statistically significant for Austria, Germany, Spain, Hungary, Japan, Norway, Slovak Republic and Sweden.

B: GDP real prices (US dollars PPP) – 2000; distance is expressed in kilometres; both variables refer to rural regions.

* $p < 0.1$; ** $p < 0.05$; *** $p < 0.001$

Source: Based on Veneri, P. and V. Ruiz (2013), "Urban-to-rural population growth linkages: Evidence from OECD TL3 regions", *OECD Regional Development Working Papers*, No. 2013/03, OECD Publishing, http://dx.doi.org/10.1787/10.1787/5k49lcrq88g7-en.

Note

1. The countries included are Austria, Belgium, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Japan, Korea, Norway, Slovak Republic and Sweden.

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Chapter 2

Purposes and outcomes of rural-urban partnerships

This chapter analyses rural-urban partnership in terms of its different purposes and outcomes, on the basis of the observations from 11 case studies. First, the purposes of rural-urban partnerships are examined and discussed with respect to the type of partners, the scope of co-operation and the type of territory under consideration. Second, the chapter provides a rationale for rural-urban partnership, highlighting its potential benefits and risks.

The purposes of rural-urban partnerships

Territorial challenges and purposes of urban-rural co-operation

Many reasons exist for urban and rural actors to co-operate. The case studies, which cover 11 regions across OECD countries, provide evidence on several of the issues that might be addressed through rural-urban partnership. Looking at this evidence and at that of other comparable cases, the main issues addressed through rural-urban partnership can be summarised in the following macro-categories.

- **Economic development.** This includes the need to improve the strategic position of a territory, to make it less vulnerable to changes in demand and in the economic cycle and, more generally, to strengthen the regional economy, trying to exploit complementarities. This category includes several thematic issues of co-operation. One is territorial promotion, which provides a territory with an image or a "brand" in order to position it in the competitive global arena and to increase its economic potential. Territorial promotion is a wide objective that usually includes cross-sectoral initiatives. Tourism is often part of such initiatives. Rural-urban partnership can also aim at promoting a local supply chain, for example in the agro-food sector. The promotion of agro-industry is often related to the promotion of innovation, so that local food producers can co-operate with other actors in research and marketing activities. Another issue of co-operation consists of promoting urban agriculture, agricultural activities whose resources, products and services have a direct urban use (Donadieu, 1998). Such agricultural activities are particularly common in peri-urban areas and in the green belts of large metropolises. In contrast with more traditional rural agriculture, urban agriculture is always compatible with urban demand and lifestyles as well as the preservation of the landscape. It allows a territory to increase its levels of food security through short food chains, improves the quality of the environment and fulfils increasingly complex needs in terms of lifestyles and well-being.
- **Natural asset management.** Urban and rural areas can co-operate to jointly manage the use and the preservation of their natural resources. As for economic development objectives, partnership can consist of cross-sectoral and holistic sets of initiatives (e.g. a wider package of environmental policy initiatives) or focus on single objectives/projects. To give some examples, rural-urban partnership can address the management of water sources to respond to the needs of a territory beyond its administrative boundaries. Land management is another issue typically addressed through rural-urban partnership. This can involve co-ordination among urban and rural municipalities within the same functional region in order to manage conflicts in land use and urban expansion, with the intent of reducing land fragmentation and sprawl. Other themes worth mentioning relate to environmental issues, such as biodiversity, both in terms of its conservation and enhancement and of raising awareness of its importance, e.g. through education initiatives.

- **Service provision.** Rural-urban partnerships can address territories' changing needs for service provision. This is often driven by the challenge of decentralising powers and competences at a time of budget cuts, as the need to improve the quality of services increases. Transport is among the most common issues for co-operation. An intra-regional connection that effectively links urban and rural areas is a vital pre-condition to access to the services and resources that each area provides (e.g. both urban and rural lifestyles). It also helps to better match residential and employment choices within functional regions. Partnership can also address the joint provision of other basic services, such as health and social care, waste disposal, and education and training. Such services are often difficult for single municipalities to provide, for reasons of both cost and capacity.
- **Political relevance and access to funds.** Territories often need to gain more political visibility and to speak with one voice when interacting with other levels of government. Urban and rural areas that share common interests or a common identity can address these needs through rural-urban partnership, if they co-operate in lobbying. Of course, higher political visibility is not a goal in itself, but a means to reach more specific objectives. Partnership of this type can co-ordinate investment priorities and pool efforts to attract resources and gain credibility. A territory that has a higher profile and presents a common front may succeed in enhancing the strategic positioning of the region.

Partnerships' purposes, by type of partners

The types of partners involved in rural-urban co-operation can differ, depending on the issues addressed through the partnership. As noted at the beginning of this chapter, rural-urban partnerships ideally involve both public and private actors. However, while public institutions always play a key role in the co-operation process, the case-study analysis has found that private actors have not always been involved in the various initiatives observed. Table 2.1 lists some thematic examples of rural-urban partnership by categories of purpose, highlighting the potential role of the private sector. Different levels of government are almost always involved, and local authorities have often proven to be the key partners initiating and driving the process of co-operation. When partnerships are aimed at improving the provision of basic services and at fostering visibility and political weight in relation to other government levels, local and regional authorities emerge as the key partners. Particularly in co-operation on environmental issues (e.g. biodiversity, landscape preservation, etc.), civil society can also be a key partner. In fact, it can increase public awareness of the issues at stake and facilitate information sharing, empowering the community and enhancing the various initiatives.

Partnerships with general objectives of economic development (e.g. territorial promotion, regional development strategy, supply chain, etc.) appear to have the largest set of potential partners. Different levels of government have an important role, as well as the private sector and civil society actors. In addition, other intermediate institutions (e.g. chambers of commerce) and universities are important in the co-operation process. The case of a food supply chain is a typical example of a complex rural-urban partnership involving a set of partners. In order to take collective decisions, levels of government need to be active and to align their strategies, while other intermediate institutions help to co-ordinate actors, to extract knowledge from the territory and minimise the costs of its transmission.

Table 2.1. **Possible key partners in rural-urban co-operation and role of the private sector by purpose of the partnership**

Category of purposes	Key purpose of co-operation	Key possible partners	Role of private sector
Economic development	Territorial promotion	Government authorities (national, regional, local) Chambers of commerce Private businesses Civil society (associations, etc.)	++++
	Supply chain	Government authorities (national, regional, local) Chambers of commerce Private businesses Universities/research centres Civil society (associations, etc.)	++++
	Urban agriculture	Government authorities Farmers Universities/research centres Civil society (associations, etc.)	++++
Natural assets management	Management of water sources	Government authorities (national, regional, local) Chambers of commerce	+++
	Biodiversity	Governmental authorities Universities/research centres Civil society	++
	Land-use management	Local authorities Universities/research centres	++
	Landscape and environmental preservation	Government authorities (national, regional, local) Civil society	++
Service provision	Transport	Regional, local authorities Private businesses	++
	Healthcare, social care, education	Regional, local authorities Private businesses Civil society Universities/research centres	++
	Waste disposal	Regional, local authorities Private businesses	++
Political relevance/ access to funds	Political relevance/visibility	Local authorities	+
	Advocacy for funding	Local authorities	+

Private businesses also play a leading role in the partnerships. They frequently participate in partnerships formed for economic development (e.g. territorial promotion, supply chains, urban agriculture, etc.), where engaging with business is an imperative rather than an optional extra. Partners from the public sector can benefit from business actors' pace and acumen. In addition, the public sector can share resources for integrated investment and can test the market value of its initiatives. Business can strengthen rural-urban partnerships in several ways, enhancing their sustainability. It can bring valuable insights and focus on key issues, in particular those that are economically related. In this respect, business helps to identify priorities for investment and find the key opportunities and bottlenecks to focus on in order to facilitate local economic processes. Of course, the most effective engagement with business is when its agenda is aligned with the main objective of the partnership. The private sector can also provide useful insights into emerging sectors and business development opportunities. This can

help the partnership adapt to changing environments, fostering its capacity to look forward and enhancing its sustainability. At the same time, business can also benefit, winning recognition, networking and building relationships, and helping to design high-profile initiatives and projects, backed by public resources. To facilitate the participation of different types of actors, the partnership process should first bear in mind the relevant issues for the private sector.

From single purposes to a holistic approach

Rural-urban partnerships can be identified as single-purpose versus multiple-purpose in scope. Probably the easiest way to make this distinction is to look at the number of issues addressed by the partnership and at the overall degree of integration among these issues. Single-purpose partnerships often adopt a sectoral approach, meaning that partners co-operate on a specific issue, such as, for example, management of water resources, conservation of the environment or other services. On the other hand, a multiple-purpose partnership has a wider scope of activity, in which a specific entity manages initiatives on several issues, using an integrated approach and a more holistic vision of the territory. According to this definition, 5 of the 11 case studies under analysis can be classified as multiple-purpose partnerships. These are Nuremberg Metropolitan Region (Germany), Rennes Métropole (France), BrabantStad (the Netherlands), the province of Forlì-Cesena (Italy) and G21 (Geelong, Australia). Of course, the distinction between single- and multi-purpose partnerships is not always clear-cut. The underlying vision of the territory and the consideration of inter-sectoral interdependencies may make a sector-focused partnership, *de facto,* a holistic one.

An optimal scope for rural-urban co-operation cannot be prescribed across the board, but it seems clear that these two types of partnerships have different characteristics and potentials. The choice between the two depends on several factors, such as the overall degree of territorial co-operation, the specific needs of a territory and the type of partners involved. In terms of overall economic development objectives, multi-purpose partnerships have the potential to yield greater benefits. For example, a partnership aimed at boosting regional competitiveness that also co-operates on environmental policy and land planning should potentially be able to manage the complementarities between different policy objectives. This integrated approach can reduce the risk that the achievements in one sector have negative effects on other sectors, resulting in a zero-sum effort. On the other hand, project-based rural-urban co-operation can be very effective and is easier to organise, requiring lower transaction costs and capacity. Single issues are likely to require a smaller number of actors and may make it easier to identify clear common objectives.

Partnerships can evolve from sectoral to holistic and vice versa. As noted, the distinction between sectoral and integrated approaches in rural-urban partnership is not clear-cut. The scope of partnerships can vary along a continuum that ranges from mainly sectoral to predominantly integrated. Under certain conditions, sectoral co-operation between urban and rural areas can be seen as a first step in a dynamic process that leads to a more integrated approach. The mechanisms underlying this dynamics are learning – by observing the benefits of co-operation on a single issue, partners may want to co-operate more – and changing actors' preferences – through better communication and convergence towards common visions. However, this dynamic process requires appropriate institutional capacity and an acknowledgement of the external effects in place.[1]

Partnership purposes by type of territory

The purposes of rural-urban partnership can vary, on the basis of the type of territory where co-operation occurs. The selected case studies account for the three different types of territories introduced in Chapter 1 – large metropolitan regions, networks of small- and medium-sized cities and sparsely populated areas – and for the diversity of situations emerging from the case studies. Table 2.2 sets out the list of regions according to these three types of functional territory. For each of the latter, according to the case-study analysis, the last column of Table 2.2 reports the most observed issues of co-operation.

Table 2.2. **Case-study regions and spatial typology**

Case study	Type of region	Most frequently noted issues of co-operation
Nuremberg, Germany	Large metropolitan region	Transport network Housing and spatial planning
Rennes, France		
Prague, Czech Republic		
Brabant, Netherlands	Polycentric network of small- and medium-sized cities	Political relevance Access to funds Economic development (e.g. economic strategy, agro-industry, etc.)
Forlì-Cesena, Italy		
Lexington, United States		
Geelong, Australia		
Central Finland (Jyväskylä and Saarijärvi-Viitasaari), Finland	Sparsely populated areas with market towns	Provision of services (to keep population stable) Access to funds
West Pomeranian, Poland		
Beira Interior Sul, Portugal		
Extremadura, Spain		

No clear pattern emerges in the type of functions that can be addressed through co-operation across the three spatial categories. Instead, the three types of regions identified above each had a number of issues for rural-urban partnerships in common.

- In the large metropolitan regions, one of the most frequently noted factors driving co-operation was the improvement of the transport network. A transport network allows urban boundaries to expand functionally and offers greater accessibility to both urban and rural areas. In all the metropolitan cases analysed (Rennes, Nuremberg and Prague), the transport network was seen as a priority for co-operation. Within functional regions, a better organised multi-modal transport system makes it possible to match labour supply and demand. Facilitating daily commuting traffic can make a whole region more attractive. Rural areas in the hinterland of cities can benefit from greater access to the city and attract more urban residents for recreation and tourism. Meanwhile, urban residents have easier access to rural amenities and to jobs located in rural areas, as well as different residential options.
- In the polycentric networks of small- and medium-sized cities, a frequent issue inspiring co-operation was a desire to operate at a larger scale, to attract business and investment, but also to enhance administrative capacity and political relevance. This was associated with a desire to group together for easier access to funds for investment and economic development, as well as more focus on regional priorities, when dealing with other tiers of government (e.g. the national government, EU, etc.). Motives of this kind were typical of almost all the regions in the case studies that fall into the intermediate spatial category. In Geelong and

Brabant, the need to associate with other centres to become more competitive and politically influential was explicit. The same drive was evident in Nuremberg, which rates as a large metropolitan area, but has a strong polycentric character. This evidence supports the argument that a polycentric structure can leave room for the exploitation of network economies in which centres of similar size exploit complementarities and synergies through co-operation, yielding benefits that are greater "than the sum of the parts" (Meijers, 2005).

- All the regions falling into the category of sparsely populated regions with market towns demonstrated a particularly high interest in partnerships for joint service provision. This is consistent with expectations, since sparsely populated areas can have difficulty putting together sufficient demand to organise the provision of services (e.g. from health to education to public transport) that is financially sustainable. In this respect, partnership can represent an innovative way to share resources and try to co-operate at a wider spatial level to reach economies of scale. The interdependence of small towns and rural areas is particularly evident in local economies heavily dependent on natural resources. Resource-based communities do not always receive full benefits from their specialisation, since the ownership of resources, main competences and strategic management are often located in urban areas (OECD, 2010). This issue is a relevant potential driver for rural-urban partnership.

Analysis of rural-urban partnership by type of territory should not obscure the fact that different types of co-operation can exist in every region. More specifically, territories may have multi-layered partnerships, each with a different purpose, geographical scope and governance structure. For each case study, this report focuses on one or a few layers, but not necessarily the full spectrum, of urban-rural co-operation. Different layers of co-operation are often interrelated. In BrabantStad, all the cities involved in the partnership in turn co-operate at other spatial levels. For example, Helmond, co-operates with its 5 immediate neighbouring councils, as well as with the 21 councils in Southeast Brabant.

Acknowledging urban-rural interdependencies in territorial co-operation

The purposes of rural-urban partnerships also vary according to their functional dimension. Partnership is the answer to specific challenges rooted in different types of urban-rural linkages. A complex set of relationships links urban and rural areas, and these are classified in the conceptual framework of Chapter 1 under five main functions: demography, economic transactions, service provision, environmental resources and amenities, and multi-level governance interactions. For each of these functions, Table 2.3 presents some examples of how different purposes of rural-urban partnerships may emerge from challenges related to specific types of urban-rural linkages. Of course, the table does not include all the possible types of relationships, but the objective is to provide clear examples that cover the five different functions identified.

Among the demographic linkages between urban and rural areas are urbanisation and counter-urbanisation trends. These often consist of population increases in areas that are on the outskirts of cities, or in physical proximity to them. Both these trends may cause serious issues of demographic decline and disappearance of the most remote rural areas far distant from urban centres. Dealing with demographic decline can be an implicit or explicit purpose of rural-urban partnership. It may, for example, prompt action to provide adequate conditions for service provision. In Extremadura (Spain), the debate on how to

reorganise health services and redefine the roles of provinces and of the various associations of municipalities (*mancomunidades*) is related to the issue of depopulation of the more remote rural areas of the region. Another example of a rural-urban partnership formed to deal with demographic decline is reported in Box 2.1.

Box 2.1. **Demographic linkages and rural-urban partnership: The example of Amsterdam**

Urban and rural areas have always been affected by reciprocal demographic flows. Depending on the geographical context and on the phase/stage of the urbanisation and development, urban and rural areas may be growing or shrinking. These demographic developments can influence urban-rural co-operation, as in the case of Amsterdam and its surrounding rural territory. In the 1970s, the city of Amsterdam experienced a decline in population that lasted for more than a decade, with, on average, 20 000 inhabitants leaving the city every year. Nowadays, the city and its surrounding municipalities are among the fastest-growing areas in the country, while some more remote municipalities are shrinking. Population shrinkage in remote areas is not always possible or even useful to address. However, a cohesive regional development approach requires keeping quality and opportunities in shrinking areas. This, in turn, requires investments.

In 2011, on the basis of shared interests, and in light of the population decline Amsterdam experienced three decades earlier, the city and three other shrinking municipalities, Heerlen, Sluis and Delfzijl, formed a partnership known as "Amsterdam: The Responsible Capital". In this partnership, the city shares its expertise in "master classes" organised for the other municipalities. The Physical Planning Department of Amsterdam (DRO) also organised a so-called "restructuring master class" in conjunction with this, linked to the organisation of an expert group meeting with European networks of experts and stakeholders on rural-urban co-operation (e.g. Metrex). This international exchange of knowledge helped capacity building both in the capital and in the remote (shrinking) municipalities. The project is still in the development phase, but will be formalised this year in an official co-operation agreement and a budget for structural facilities/project management. The master classes mainly deal with capacity building and tackling concrete problems in the shrinking areas on a demand-driven basis. The overall objective of these and other project initiatives is to create "win-win" situations and stimulate understanding between the capital city, areas of declining population and private-private partnerships. One of many examples is the Amsterdam residential Concertgebouw Orchestra performing in two partner municipalities as a result of the co-operation.

Source: Jansen, J. (2011), *The Power of Urban-Rural Co-operation*, PLANAmsterdam 5/2011, pp. 22-25.

Counter-urbanisation is also related to increasing commuting flows and positive demographic trends in the hinterlands of functional urban areas. Among the observed experiences of rural-urban co-operation are some aimed at improving transport connections between rural and urban areas in the same functional region. Examples include the activity of the inter-municipal association in Rennes (Rennes Métropole), in the Nuremberg Metropolitan Region and some of the co-operation between Prague and surrounding municipalities. In all these cases, co-operation was based on achieving better transport links between integrated urban and rural areas.

Rural-urban partnerships are often based on economic linkages. One purpose often observed is to foster supply chains and promote an integrated approach to economic activities in the territory. In the case of traditional agricultural activities, partnership can connect farmers more effectively with input and output markets, as observed in the Italian province of Forlì-Cesena or in the Nuremberg Metropolitan Region. Other economic linkages between urban and rural areas that justify co-operation are related to the territorial diffusion of knowledge and innovation. This does not depend just on physical distance, but on a number of other "proximity concepts" (Boschma, 2005) that also

include co-operation among institutions. Some of the observed rural-urban partnerships aim at increasing innovation through several initiatives, such as encouraging the links between SMEs, universities and research centres. Examples were found in Forlì-Cesena and Nuremberg. In Forlì-Cesena, universities work directly with farmers and food producers to boost innovation in both the production and marketing process. Another example of partnership for food and agriculture in the United States is reported in Box 2.2.

Table 2.3. **Policy challenges addressed by rural-urban partnerships by type of rural-urban interaction**

Type of rural-urban linkage	Subtype	Possible purposes of rural-urban partnership	Challenges	Observed examples in case studies
Demographic linkages	Urbanisation	Relocating public services in rural areas; helping capacity building	Dealing with demographic decline of remote areas	
	Counter-urbanisation and enlargement of commuting space	Improving transport connection within labour market areas	Coping with decline of old urban centres Developing better connections	Rennes (France) Nuremberg (Germany) Prague (Czech Republic)
Economic transactions and innovation activity	Productive relations	Fostering supply chains (e.g. agro-industry)	Boosting activities with a high territorial multiplier	Forlì-Cesena (Italy)
	Knowledge diffusion and innovation links	Fostering links between SMEs and universities and research centres	Boosting competitiveness in remote areas	Forlì-Cesena (Italy) Nuremberg (Germany)
Delivery of public services	Public service (education, health, waste, etc.)	Developing information and communication technology (ICT) infrastructure for service provision	Ensuring access to basic services and combating depopulation in remote areas	Central Finland (Finland)
	Public transport	Co-ordinating investments in transport within functional areas	Ensuring access to both urban and rural resources	Nuremberg (Germany) Rennes (France)
Exchange in amenities and environmental goods	Consumption links of urban amenities	Improving accessibility (transport) Better spatial planning and landscape preservation	Ensuring complex consumption for rural residents/quality of life	Rennes (France) West Pomerania (Poland)
	Rural amenities and ecosystem services	Co-ordinating utility providers and local authorities (e.g. water)	Ensuring regional environmental sustainability and quality of life	West Pomerania (Poland) Forlì-Cesena (Italy)
Other "governance" interactions	Joint planning	Setting a common development plan	Improving the efficiency of public policy	Geelong (Australia) Rennes (France)
	Co-ordination among local authorities	Building a common voice in dealing with higher government	Increasing political relevance and access to funds	Geelong (Australia) Brabant (Netherlands)

Source: Based on OECD (2011), *OECD Regional Outlook 2011: Building Resilient Regions for Stronger Economies*, OECD Publishing, http://dx.doi.org/10.1787/9789264120983-en; Copus, A. (2012), "Urban-rural relationships in the new century: Clarifying and updating the intervention logic", paper presented at the first European Seminar on Sustainable Urban-Rural partnerships, Metz, France, November.

Box 2.2. **Partnership for food and agriculture: The case of Fresno, California (United States)**

"Strong Cities, Strong Communities" (SC2) is a federal initiative and interagency collaboration that aims to increase the capacity of local government and support local government plans for economic development and downtown revitalisation. Fresno, California, is one of six pilot cities, with Detroit, Michigan; New Orleans, Louisiana; Chester, Pennsylvania; Cleveland, Ohio; and Memphis, Tennessee. A Community Solutions Team (CST) of 23 full- and part-time employees from 12 federal agencies is partnering with the Mayor's Office of each city in a place-based strategy to develop specific actions to advance the goals of the city. Their goal is to change the way the federal government does business by providing intensive interagency technical assistance tailored to Fresno's needs.

SC2's place-based model recognises the interlocked, long-term challenges each participant city faces, such as high unemployment rates, poverty and underdeveloped infrastructure. Fresno was chosen as a pilot site for SC2 because of its strong local leadership and potential for economic growth. By working with the city, philanthropic community and other regional partners, the partnership is trying to find collaborative solutions to Fresno's most pressing problems. The CST is working to help the city achieve its vision for economic development and community revitalisation. The 2012 SC2 effort is organised around ten priority focus areas: downtown revitalisation, business development, economic development and innovation, transport, land-use planning, liveable communities/housing, resource management and sustainability, workforce development and adult education, homelessness and high-speed rail.

The US Department of Agriculture (USDA) presented city officials in Fresno with six Great Regions and SC2 initiative concepts for integration into the city's priorities. The six strategic concepts are: i) *development of an agricultural technology cluster* centred on Fresno and the surrounding counties, through rural in-the-field wireless high-capacity broadband infrastructure; ii) *international trade development*, with a focus on the region's key product, agricultural goods; iii) *healthy food access*, by combining food security and healthy food policies to benefit the community's low-income population; iv) *development of a regional food shed*, including strengthening links to the Los Angeles Food Shed; v) *creation of a veteran-to-farmer project* centred on the Fresno Veterans Administration hospital, and vi) potential development of *farm labour housing* and sustainable community services in collaboration with other federal/city agencies and community groups. From those six concepts, the USDA focused on the development of an agriculture technology economic cluster and international trade development. The USDA also supported the creation of local Fresno food movements such as the Fresno Food System Alliance and the Fresno Food Commons.

A strategy designed by the USDA and Department of the Environment (DOE) for economic development and innovation was designed to develop an urban-rural wireless broadband infrastructure to support the agricultural technology economic cluster. This will offer new, skilled and higher-paying jobs from agriculture technology enterprises. The development strategy seeks to leverage the core economic strength of the area, agriculture, and to leverage the agriculture base into California's other core economic strength, technology. The USDA continues to develop the broadband/agriculture technology economic cluster strategy in co-operation with Fresno's Chief Information Officer and the Department of Energy SC2 partner. As a direct result of the USDA DOE partnership, the city was encouraged to apply for the IBM Global Smarter Cities Challenge in 2012. The rural-urban broadband/agriculture technology economic cluster strategy was presented to the IBM judges. Fresno was selected for the IBM Global Smarter Cities Challenge in November 2012. According to IBM, Fresno was the only city to present a regional approach to meeting its challenges, and this was an important factor in its selection.

Source: City of Fresno (2012), *Strong Cities, Strong Communities*, available at www.fresno.gov/Government/MayorsOffice/strong.htm; O'Brien, D. and R. Tse (2013), "SC2 Fresno – Regional approach", OECD Summary SC2 Fresno, summary report provided by the USDA.

Urban and rural areas also interact over providing services. One key service on which rural and urban areas can co-operate is transport, so that all residents can move efficiently around the territory, especially within labour market areas. Public service interactions also include education, health, waste and other services of general interest (SGI). The case of BrabantStad offers an example of co-operation aimed at joint provision of youth care services, as a response to the national government's decision to decentralise this responsibility to local councils. Central Finland provides an example of a partnership whose purpose consists of improving service provision through the development of information and communications technology (ICT). More specifically, thanks to inter-municipal co-operation, the region managed to provide services that would otherwise have been unaffordable, such as online medical care and educational facilities for students.

The different resources and amenities located in rural and urban areas are the source of their residents' consumption patterns. Partnership can aim to ensure access to these amenities, increasing residents' quality of life. Another possible objective of urban-rural co-operation relates to environmental sustainability, by preserving natural resources and promoting their sustainable use for development purposes. Initiatives to increase tourism and promote the region can be pursued by improving accessibility to rural amenities. The case of Nuremberg Metropolitan Region provides an example of improving urban residents' accessibility to rural areas, and promoting internal tourism. The protection of the environment and the landscape is another typical thematic example of rural-urban partnership. In West Pomerania (Poland), 22 municipalities are working together to preserve the Parsęta River Basin, a watercourse renowned for its attractiveness and range of spas. In France, the inter-municipal association of Rennes Métropole provides an example of co-operation between urban and rural areas aimed at rationalising the use of land, preserving the landscape and limiting sprawl in rural and peri-urban areas.

Ecosystem services are another type of linkage underlying rural-urban co-operation. Rural-urban partnership can manage the production and distribution of the benefits associated with this type of work. The case studies provide several examples of co-operation along these lines. In Forlì-Cesena, the management of water resources is the result of a partnership among all the urban and rural municipalities and chambers of commerce in three different provinces. The municipalities where water sources are located benefit from a share in the revenues for water provision, as well as from investments in preservation of cultural heritage and natural resources and in initiatives aimed at developing tourism in the area. At the same time, the other municipalities benefit from the availability of clean water and from proximity to high-value landscape and amenities.

Finally, rural-urban partnership can help address common goals related to territorial linkages that are not necessarily only rural-urban and which may be interpreted, according to the framework outlined in Chapter 1, as "other governance interactions" (Table 2.3). Examples include co-operation aimed at setting the strategy for a long-term development of the territory (a common strategy for economic development) or to increase political relevance in dealing with other levels of government.

Benefits and risks of rural-urban partnerships

Conceptual arguments

Rural-urban partnerships are tools tailored to a specific location, through which partners attempt to reach common objectives. Conceptually, they promote a view of development that it is not only large urban concentrations that are conducive to higher economic growth. Instead, all places have potential that could be exploited for better overall economic performance (OECD, 2009; 2012a). Consistent with a place-based approach, rural-urban partnership considers that since institutions are heterogeneous across territories, what matters is not only geography, but the relationships between geography and institutions (Barca et al., 2012: 145).

There are different reasons why rural-urban partnerships can encourage economic development and should be promoted by public policy. One is rooted in the idea that both urban and rural areas are underutilising their overall productive potential and their complementarities. Rural-urban partnerships are a tool that can help tap this potential. The main mechanism through which rural-urban partnership can foster economic development is the production of knowledge, which is often neither readily available nor the sole prerogative of a single actor, such as the state, firms or civil society (Barca et al., 2012). Rural-urban partnership is a way to build a strategy of development on the knowledge embedded in the territory, when urban and rural resources are brought together. Meanwhile, co-operation between urban and rural areas on issues of development builds on local values and territorial identity, or a so-called "sense of community" (Sen, 2006). This acts as a particular component of social capital that affects the capacity to mobilise resources and to resolve conflicts through shared values and trust (Rodríguez-Pose and Storper, 2006).

The underutilisation of regional development potential is associated with the underproduction of public goods and services, which can affect the productivity of business investment and the well-being of those living in a given area (Barca, 2009: 25). These can be of several types (e.g. healthcare, environmental quality, transport, business support, etc.), but also softer goods, such as collective knowledge and a sense of belonging. Rural-urban partnership can help the production of these public goods according to local needs. Their underproduction is mainly due to two major market failures, as indicated below.

- Actors who share common interests do not always have an incentive to produce public goods. Appropriate mechanisms of co-ordination can help overcome this challenge. Intermediate institutions represent one possible solution (Arrighetti and Seravalli, 1999). These are collective bodies or systems of rules that represent the interest of a set of actors and that help supply public goods on the basis of local needs. Such institutions also help to monitor compliance with the agreements in any co-operation process. In this sense, rural-urban partnerships may be seen as institution-building tools, since they act as intermediate institutions, managing co-operation toward common objectives. At the same time, partners in rural-urban co-operation are often intermediate institutions themselves, such as farmers' co-operatives, chambers of commerce and sub-national government tiers.
- The capacity to identify common interests and translate them into demand for a specific public good may be lacking. In this respect, one collective actor or authority (Arrow, 1975) that may emerge from a rural-urban partnership can help

to extract knowledge from various local actors and to facilitate the transmission of this knowledge in projects and collective decisions taken for territorial development. The problem is often a lack of capacity. Rural-urban partnership can help to extract the knowledge in a territory, translating this knowledge into an explicit demand for tasks and goods and helping in its production.

Rural-urban partnership can help overcome such market failures and exploit intangible elements embedded in urban and rural areas. This will allow local actors to process information and transform co-operative interaction into better socio-economic conditions. In other words, co-operation between urban and rural areas can help achieve increasing returns in knowledge use. According to this hypothesis, existing empirical evidence on European regions shows that intangible factors nested in territories have a positive impact on GDP and productivity growth and that among the factors with the higher impact are mutual understanding, reciprocal trust and social commitment (Capello et al., 2011). Another analysis recently conducted by the OECD calls for integrated regional policies – tailored to the specificities of each place – and a need to co-ordinate investment and service provision as a means to increase regional growth (OECD, 2009).

Linking theory with case-study evidence

The benefits that can be achieved through rural-urban partnerships can be classified into five categories:

- production of public goods
- higher economies of scale
- capacity building
- accounting for negative externalities
- overcoming co-ordination failures.

These categories may sometimes overlap, since they are connected to one another, but they reflect the different reasons for urban-rural co-operation. Table 2.4 reports the benefits observed through the case-study analysis, according to the categories identified above and together with a set of examples.

Production of public goods

The production of public goods[2] is one of the crucial benefits of rural-urban partnership. A territory may need to supply some service or infrastructure – and also "softer" factors such as a strategic vision or a common identity – that require the participation of partners, such as an association of local governments or a partnership involving private actors. The case studies offer several examples in which rural-urban partnerships resulted in the production of public goods.

- Territorial branding. Both public and private actors can help to build an image of a territory that increases its external visibility and appeal. The province of Forlì-Cesena, in partnership with the region and private operators, raised its profile with the Romagna brand, including the promotion of tourist routes, food products and cultural elements that distinguish the region.

Table 2.4. **Some observed or reported benefits of partnerships**

Category of benefit observed	Specific benefit perceived	Case-study regions
Production of public goods (or "club" goods)	Strengthen territorial identity or culture of co-operation	Nuremberg, Forlì-Cesena, Geelong, Rennes, West Pomerania, Extremadura, Beira Interior Sul, Central Finland
	Larger and more integrated markets	Lexington, Forlì-Cesena
	Exploiting local productive linkages (e.g. agro-industry)	Forlì-Cesena, Nuremberg, Brabant, Geelong
	Better management of natural resources	Nuremberg, Rennes
	Increasing external visibility and attractiveness	Nuremberg, Forlì-Cesena, Geelong, Brabant, Rennes, West Pomerania
	Mobilising unused resources	Geelong, Nuremberg, Brabant, Rennes, Lexington, West Pomerania
Achieving higher economies of scale	Network economies (e.g. overcoming limits of small-size business environments)	Forlì-Cesena, Extremadura (LAGs), Nuremberg, Brabant
	Higher political power, financial resources and better dialogue with other government levels	Geelong, Nuremberg, Forlì-Cesena, Brabant, Extremadura and Beira Interior Sul (LAGs)
	Improving quality, access or economic viability of services' provision	Extremadura, Central Finland, Geelong, Prague, Forlì-Cesena, Nuremberg, Brabant, Beira Interior Sul, Rennes, West Pomerania
Capacity building	Improving local government capacity to carry out tasks	Nuremberg, Forlì-Cesena, Rennes, Lexington, Geelong, Prague, Central Finland, Beira Interior Sul, Extremadura, Brabant
Account for negative externalities	Limiting zero-sum competition among municipalities (e.g. tax competition)	Rennes (tax), Brabant, Nuremberg, Geelong, Beira Interior Sul (LAGs), Extremadura (LAGs)
Overcoming co-ordination failures	Improving local knowledge through social learning and information sharing	Nuremberg, Forlì-Cesena, Rennes, Lexington, Geelong, Central Finland, Beira Interior Sul, Extremadura, Brabant, Prague
	Setting and aligning priorities for economic development through a common strategy	Geelong, Nuremberg

- Territorial identity and a sense of community is another public good that can be strengthened by territorial co-operation. In some respects, reinforcing territorial identity can be an initial step in territorial promotion, but it is also useful intrinsically, since it identifies common elements that link different but complementary elements in urban and rural areas. The creation of a common identity as a starting point for common action and strategies was key for the Nuremberg Metropolitan Region. This was achieved by promoting internal tourism and encouraging urban and rural residents to vacation in the region to "rediscover" their own territory. A strong territorial identity can pose a risk if the territory is not adequately connected to the outside to absorb new knowledge and to allow for evolution. To avoid this eventuality, rural-urban partnership should involve different types of actors (e.g. from both the public and private sectors).
- Trust and a culture of co-operation. While this is usually considered a requirement rather than a benefit of co-operation, in several of the cases analysed, a culture of co-operation was an outcome of the partnership. In Portugal, where a culture of co-operation already existed on a sectoral level, local partnerships known as local action groups (LAGs) are increasing cross-sectoral co-operation and trust among actors. In this sense, LAGs represent a valid approach for strengthening a sense of community through an integrated approach to development.
- An improved environment for market forces can be achieved by co-operation between urban and rural areas at the level of the functional region. Fragmentation among actors can constrain a region's economic potential. In Lexington, Kentucky (United States), the Bluegrass Alliance is an example of a rural-urban partnership driven by the private sector, established to market and support economic development in an area covering different but functionally integrated counties.
- The economic exploitation of territorial complementarities between urban and rural areas is another advantage of co-operation. A typical example is the promotion of an integrated supply-chain, often in agro-industry, which was observed in several cases. In Forlì-Cesena, the food production chain boosts development of the entire territory, both urban and rural. Initiatives can involve not only rural growers but packaging companies based in urban areas. The network is extensive, involving thousands of farms, and universities also participate. The underlying idea is that rural areas cannot innovate if they are isolated and are not connected to the market.
- Better management of natural resources is another benefit offered by rural-urban co-operation. This includes the potential to access and exploit renewable energy. In Rennes (France), partnerships opened the field to a potential market for the energy that could be produced from the waste generated by intensive herding.

Economies of scale

Another reason for co-operation is the achievement of economies of scale. These involve both private businesses and the activities carried out by local authorities (e.g. public services). The economic viability of service provision depends positively on population density within a certain area of access, especially for horizontally integrated services of high labour intensity, including healthcare and education. A specialised strand of the literature supports the idea that provision of public services by local authorities is

subject to scale effects (De Mello and Lago-Peñas, 2013). Operating below a viable scale encourages – and sometimes obliges – neighbouring local authorities to provide services jointly to reap the benefit of economies of scale. Of course, scale effects are service specific, as are the optimal areas of provision (Byrnes and Dollery, 2002).

The case studies offer several examples of partnerships formed to provide services, particularly in predominantly rural regions. In such contexts, given the low density of population, achieving a viable scale for service provision is often a major challenge. In Central Finland (Jyväskylä and Saarijärvi-Viitasaari), groups of municipalities identified by the region co-ordinate the provision of different public services, including education and healthcare, through intensive use of ICT. In Extremadura, *mancomunidades* are recognised entities composed of several municipalities that jointly provide basic services (e.g. waste, social services, leisure, etc.). Transport is another type of service often provided in partnerships to accommodate internal demands for mobility, as in Prague, Nuremberg and Rennes. In West Pomerania, a rural-urban initiative among municipalities developed a waste management facility serving 100 000 people.

The benefits of a larger scale were not only observed in service provision. In the Forlì-Cesena case, one reason for co-operation in the agro-industry was the need to make the most of a small-scale business environment, especially in agriculture. Here, co-operation involved representatives from private firms' co-operatives and public authorities, which could formulate strategies and action as if they were large-scale businesses. The advantage of overcoming the limitations of size – this time in terms of places and not businesses – was also observed in Nuremberg and BrabantStad. In these instances, building a network of interconnected territories and cities was seen as a way to achieve network economies that could make them competitive with large European metropolitan areas. The underlying idea is the possibility of compensating for their smaller scale through a partnership within a larger integrated, polycentric region.

Connected with the direct economic advantages of size is the advantage of greater political weight and stronger negotiating power with higher government levels. Co-operation can be motivated by the need to have more capacity to access funds and to negotiate priorities for investment with higher levels of government, by speaking in concert. This kind of benefit can be thought of as the non-market effects of agglomeration, since co-operation aims for greater bargaining power. In Geelong, increasing political weight in negotiating investment priorities with the federal government was an important incentive for forming the G21 partnership. In the case of the province of Brabant, the cities of the BrabantStad partnership worked together to ensure that Breda was connected to the high-speed railway line between Brussels and Amsterdam. Currently, the same cities are campaigning for a better connection between Eindhoven and Germany's high-speed network. Similar benefits, including better access to funds, were observed in Nuremberg, and in the Spanish and Portuguese local action groups.

Capacity building

Another benefit of rural-urban co-operation is capacity building. This sometimes emerges only as an unintended result of co-operation, rather than as a driver. Partnership permits exchange of information as well as of experiences on how to solve a specific problem. This facilitates a process of learning among the partners that improves local capacity to carry out administrative tasks or provide services. In this case, the benefit, no matter what the specific objective, is related to the co-operation process, which by itself

can increase capacity. However, in some cases, co-operation directly addresses capacity building. One example is a Dutch initiative, "Amsterdam Responsible Capital", involving master classes organised by the city for smaller rural areas (see Box 2.1). Higher capacity building through rural-urban partnership was observed in almost all the case studies. Geelong offers one example of co-operation among local authorities that allowed smaller rural areas to manage conflicts over land use between farming and housing, thanks to the skills and capacity larger municipalities shared with them.

Accounting for negative externalities and overcoming co-ordination failures

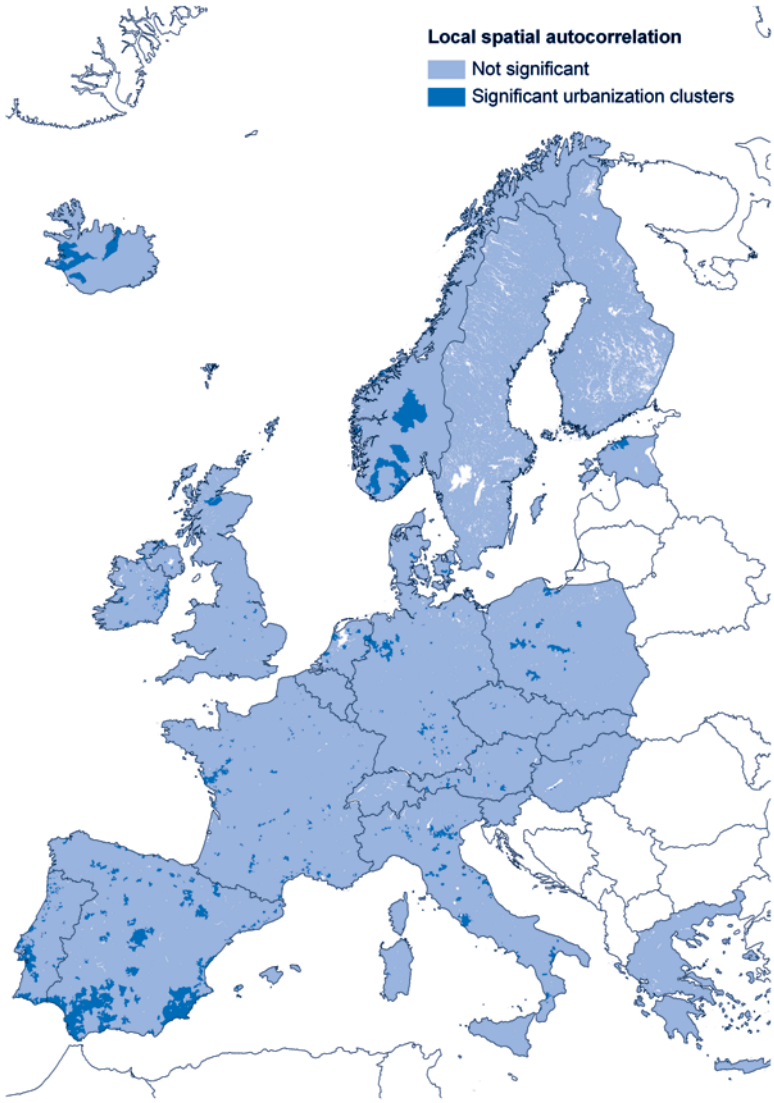
Rural-urban partnership can help account for negative cross-border externalities generated by local authorities. Decisions taken by local authorities within functionally integrated areas produce effects that can easily cross administrative boundaries, for example, in land-use policy. Restrictions on new building in a city, if enacted at the municipal level without any mechanism of co-ordination, can result in sprawl and fragmented development in surrounding rural municipalities (Glaeser, 2011). In Lexington, Kentucky, the land-use policy adopted by the central county (Lexington) led to excessive suburbanisation in contiguous counties in the metropolitan statistical area.

Cross-border externalities can also be generated by zero-sum competitive behaviour among adjacent municipalities. There is a wide literature on this subject, covering several policy domains, from land use and sprawl (Büttner and Ebertz, 2012) (see Box 2.3), to tax competition (Allers and Elhorst, 2005; Blöchliger and Pinero-Campos, 2011) and local government expenditures (Solé-Ollé, 2006). In the case of land use, Figure 2.1 shows that the growth of urbanised land in European municipalities is spatially correlated, i.e. that municipalities that decide to increase their urbanised land are close to other municipalities that choose to make similar decisions. Beyond simple correlation, the existing literature found evidence of strategic interaction among municipalities in the supply of industrial and residential sites (de Vor, 2011). These strategic interactions can lead to inefficient or excessive land development, making co-ordination necessary. The inter-municipal structure of Rennes Métropole observed in the French case study offers an example of a formal partnership aimed at accounting for the negative externalities of administrative fragmentation and of zero-sum competition among 38 municipalities. This partnership allows for co-ordination of land use, housing, transport and taxation at the level of the whole Rennes Métropole, which takes joint decisions and offers compensation mechanisms, including fiscal ones.

Cross-border externalities may also emerge in the case of public safety policy. Within functional regions, stricter surveillance by one local authority can create a problem elsewhere. In the province of Brabant, a task force was set up by the mayors of BrabantStad, who are responsible for public safety, to deal with organised crime.

Another type of benefit of rural-urban partnership involves overcoming co-ordination failures. This, in turn, consists of avoiding asymmetries and lacunae in information among public and private agents whose actions are interdependent. In almost all the case studies, it was observed that co-operation helped social learning and information sharing. Rural-urban partnership can be used to gather information and produce collective knowledge to inform policy decisions. It can help territories set common priorities, to match investment decisions and build a common vision for the development of a given area.

Figure 2.1. **Clusters of municipalities with a high increase in urban land (2000-06)**



Note: This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

Source: based on Corine Land Cover Data (2000-06).

The partnership of Geelong is an example where co-operation between different municipalities produced an overall strategy of economic development for the region. The strategy promotes a new set of activities and projects focused on economic opportunities beyond the regional specialisation of heavy manufacturing. In the case of BrabantStad, economic, spatial and infrastructural development are considered simultaneously. Because the national government controls the national infrastructure budget (e.g. roads, railways and waterways), setting clear priorities is vital. To this end, BrabantStad partners regularly commit resources to evaluating the performance of the infrastructure network, identifying bottlenecks, deciding on priorities and lobbying for them.

Box 2.3. **Co-operation to limit sprawl: The view from economic theory**

One common purpose of rural-urban partnership is the joint management of land development across contiguous and functionally integrated local authorities (e.g. municipalities). One factor explaining this – a major concern that is often debated among academics and policy makers – is the need to control urban sprawl. The growth of urban land is a neutral phenomenon that accompanies economic and social processes. In principle, this is regulated by the market, as firms and individuals demand space according to their preferences and their capacity to finance it. The term "sprawl" is used here in a different (negative) way and should not be confused with the simple expansion of urban land. From an economic perspective, urban sprawl can be defined as the *excessive* growth of urban land beyond what is socially desirable (Brueckner, 2000). By adding to this definition the characteristics that the urban planning literature associates with urban sprawl (Bruegmann, 2006), sprawl can be defined as excessive growth of urban land, characterised by low-density, spatially scattered and fragmented settlement patterns. Sprawl can be associated to a higher use of cars than other patterns of urban development, such as the "compact city" (OECD, 2012b).

But what are the economic reasons for the growth of urban land beyond what is socially desirable? The literature explains this phenomenon as the result of market (and government) failures in decisions about land development. Three main market failures have been identified (Brueckner, 2000): i) a failure to account for the value of landscape and open space; ii) a failure to account for longer trips, higher use of car and consequent traffic congestion and environmental problems; iii) a failure to account for the costs of infrastructure in new and low-density built environments. Part of the failure to account for negative externalities may also be attributed to administrative fragmentation. More specifically, while increasing the supply of urban land is associated with opportunity costs, it may result in higher incomes and tax revenues for local authorities. As some empirical literature shows, this is particularly true where there is a high inter-jurisdictional competition for mobile factors (e.g. capital and labour) (Büttner and Ebertz, 2012). Hence, if decisions on land development – within functionally integrated areas – are taken by individual local authorities that are competing with one another in the absence of any mechanism for co-ordination, it is likely that such decisions will not account for negative externalities of excessive and spatially fragmented development.

These findings provide a rationale for a specific type of rural-urban partnership, aimed at co-ordinating land development decisions between adjacent local authorities in urban and rural areas. A system of compensation (e.g. redistributive grants) balancing the advantages and costs of land development among interdependent local units could potentially lower the side effects of inter-jurisdictional competition and limit the costs of sprawl.

Risks and possible negative outcomes of rural-urban partnership

Rural-urban co-operation is not always risk-free. It can entail excessive transaction costs and additional administrative burdens. It is often necessary to overcome administrative constraints and co-operate across levels of government, both horizontally and vertically. These processes require time and resources, as well as capacities that are not in place at the start of the co-operation process and that may involve additional investment. Having a clear sense of the advantages that can be reached through urban-rural co-operation is a way of motivating the relevant actors to co-operate, since they can overcome the costs of co-ordination. However, all the case studies show a lack of capacity to monitor and evaluate the activity of the partnership through appropriate indicators. Addressing this challenge can help both the formation and the effectiveness of the partnerships.

Potential benefits of rural-urban partnership may be compromised by the risk of focusing too much on outputs rather than on real outcomes needed in the territory. When co-operation starts on acquiring better access to resources (e.g. greater bargaining power with higher tiers of government), a funding-oriented approach may prevail over a development-oriented one. In this case, a mismatch between the priorities and initiatives of the partnership and the territory's real needs is likely to result, losing the development potential of the partnership.

The benefits of rural-urban partnership do not always emerge for all the partners at the same time. In addition, they are not always evident in the short run. Extra effort to monitor both the evolution of the partnership over time and the distribution of any benefits is necessary to avoid this risk. The unequal distribution of benefits is a common issue in territorial co-operation, but it can be overcome. Trust and a long time horizon help in this respect. In the case of BrabantStad, the application of Eindhoven (one of the cities in the partnership) as 2018 European Capital of Culture was supported by the other cities in the partnership. In places where co-operation has already failed in previous experiences, it becomes more difficult to establish a successful partnership. One way of overcoming this obstacle is evaluating the benefits in advance, which should be realistic and appropriate to the capacity in place.

Rural-urban partnership builds on territorial identity and a sense of community. This allows the knowledge embedded in the territory to be used in defining local needs and strategies for development. However, a strong sense of community may also threaten the openness of the territory to the outside, generating a "communitarian confinement" (Sen, 2006). This may privilege private interests over collective goals and can constrain initiatives in the short term, promoting individual interests rather than a strategic, open and innovative vision. Airing alternative views and combining knowledge from the territory and knowledge from outside can help limit this risk. In more practical terms, involving different types of actors and co-ordinating different levels of government emerge as key characteristics of a partnership.

Notes

1. A public good is a good that everyone can use and whose availability is not reduced by other users. It becomes a "club good" when the benefits of co-ordination are available only to certain agents – usually those that directly contribute to its supply. Only uncoordinated markets where agents are driven by self-interest cannot produce public goods.

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Chapter 3

Taking a functional region approach to rural-urban partnerships

This chapter provides concepts and evidence for assessing the geography of rural-urban relationships. The increasing interdependence of urban and rural areas has made some traditional administrative boundaries irrelevant, and rural-urban partnerships are best dealt with at the level of the functional region. The chapter defines functional regions and presents some criteria for identifying them in different territorial contexts. It shows that rural-urban partnership may target different geographies, depending on the policy issues under consideration and on key characteristics of the partnership itself. Flexibility in the geographical dimension of the co-operation should be encouraged.

Functional regions: Definition and major identification strategies

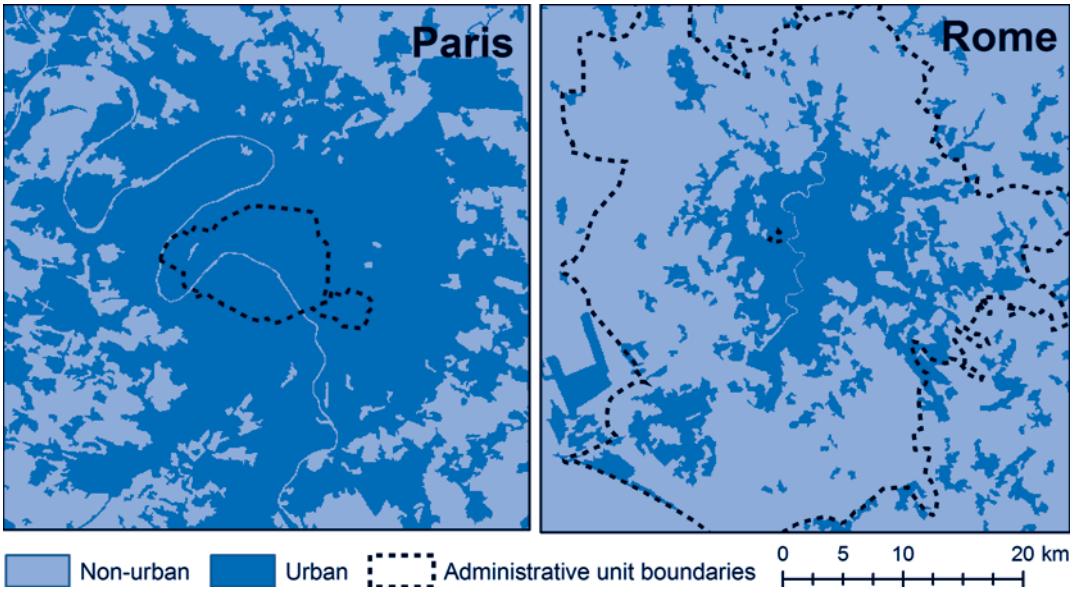
Rural-urban partnership should focus on functional regions

Territorial relationships change over time, and have been shaped by many socio-economic and cultural changes in recent decades. Economic development, the mass diffusion of cars, technological progress and improvements in communication and transport have had an impact on the organisation of people, goods, ideas and economic activities across space – whether for residential and employment choices or for the consumption of goods and services. The space where individuals carry out their activities has expanded and no longer matches the traditional administrative structures that govern such processes. Among the territorial relationships that do not fall within administrative boundaries are those between urban and rural areas. Rural-urban partnership is a tool for governing these interdependences and reaching common objectives for development.

Rural-urban partnerships need to adopt a functional approach. The first step involves identifying the geography for territorial integration. The different functions that link urban and rural areas can potentially determine the spatial domain of the rural-urban partnership, or the "functional region". This term does not necessarily refer only to metropolitan areas, and is defined here as a geographical space with strong socio-economic, cultural or environmental relationships that generally cover the territory of contiguous and interdependent administrative units (e.g. municipalities). It follows that rural-urban partnership must target functional regions that include both urban and rural territories, even if in differing proportions.

One element common to all functional regions is that they cover a space that does not necessarily correspond to administrative boundaries. At the local or municipal level, these boundaries have remained almost unchanged for decades in many OECD countries, or simply did not follow territorial integration. At least two major discrepancies emerge from the differences between the functional and the administrative organisation of a territory. The first is related to the definition of a city. More specifically, municipalities – which often have responsibilities in several policy domains – cover a territory that does not always include even the contiguous built environment or "built city" (Parr, 2007), the minimum morphological dimension of urban places. A functional approach would instead make it possible to identify the real spatial extent of cities, naming the urban core or the city *de facto*.[1] Figure 3.1 shows, in the case of Paris and Rome, how the urban territory – urbanised space with a high population density – fails to coincide with municipal boundaries, represented by a black dotted line. The second discrepancy, even more important for the spectrum of urban-rural relationships, is the one between administrative boundaries and the extent of urban-rural functional regions. Figure 3.2 shows the example of Rennes (France). Functional regions do not coincide either with municipal boundaries, which are almost always too restrictive, or with administrative boundaries of higher tiers of government (e.g. provinces), which can be either too small or too large, depending on the type of area and the institutional context at country level.

Figure 3.1. **Urban territories and municipal boundaries: The case of Paris and Rome**



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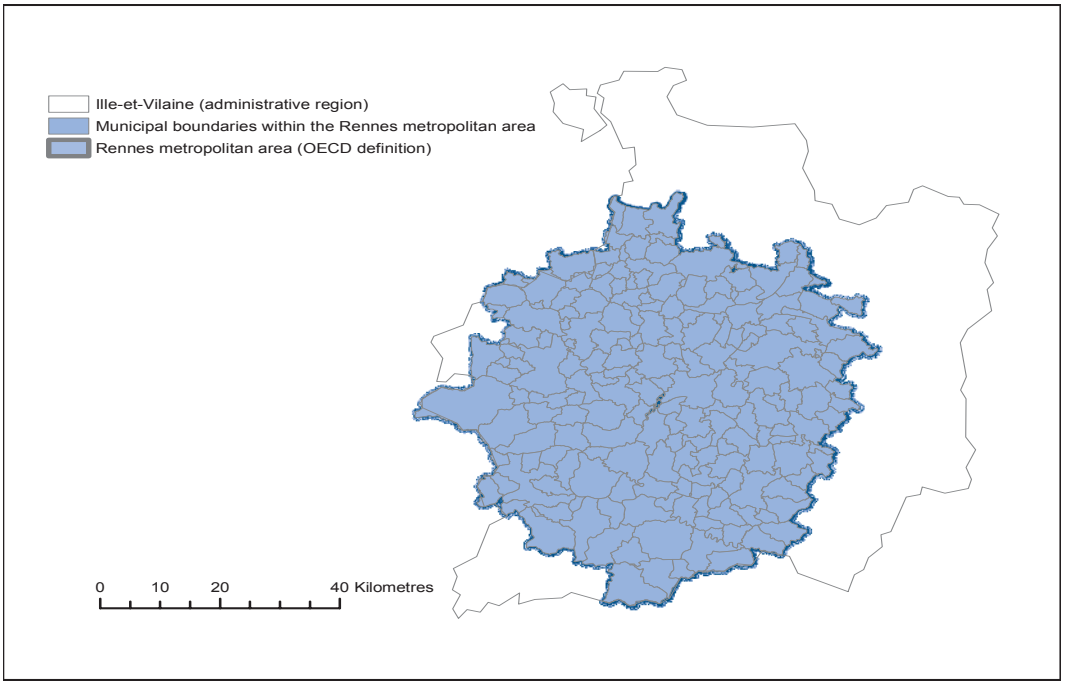
Source: OECD (2012), *Redefining "Urban": A New Way to Measure Metropolitan Areas*, OECD Publishing, http://dx.doi.org/10.1787/9789264174108-en.

Figure 3.2. **Functional urban region and administrative boundaries in Rennes (France)**



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Functional regions should be identified by the type of territory and the function in question

In many countries, identifying functional regions, mostly in terms of labour market areas, has been done for many years and for reasons both of analytical and policy issues. First, they make it possible to monitor and compare the performance of different, but comparable, territorial systems. This facilitates analysis of major socio-economic processes that occur in each territory and the difficulties it faces. Regional development policy can certainly benefit from the availability of information at this spatial level, through a better understanding of the socio-economic dynamics in place. Second, functional regions can help policy makers and other stakeholders evaluate the most appropriate scale at which to target strategic and/or spatial planning. Finally, the availability of information at the level of the functional region allows for a finer-grained evaluation of policy and the potential for improvement.

Functional regions can be identified by different methods, depending on the type of territory and functions under analysis. Typically, labour market flows (daily trips from home to work) are used as the main proxy for territorial integration. Such labour market interactions make it possible to approximate a wide set of linkages and account for a major dimension of territorial integration, the most relevant daily movements of its inhabitants. The United Kingdom (Coombes et al., 1979), the United States (Berry, 1973) and Italy (Istat-Irpet, 1989) were among the first countries to produce maps of functional regions covering the whole national territory.

In the case of territories with a sufficiently strong urban component, from large metropolises to small- and medium-sized cities, the OECD (2012) has recently identified over 1 100 functional urban areas in 29 OECD countries,[2] following a consistent methodology and making possible national and international comparisons along the entire urban spectrum. These functional urban areas are made up of one or more urban cores and a surrounding "hinterland" of lower density that is integrated with the core. According to the framework used in this report, this method can be applied to large metropolitan regions and polycentric networks of small- and medium-sized cities. This method is based on three steps.[3] The first is the identification of urban cores. This makes it possible to select, on the basis of population density in built-up areas, all the municipalities that can be considered "densely inhabited". The second step aggregates those urban cores that are not contiguous, but that belong, on the basis of the strength of commuting flows, to the same (polycentric) functional urban area. The third step identifies the hinterland, or "worker catchment area" of the urban labour market, outside the densely inhabited core.

Even within the approaches based on labour market interactions, the methods employed to identify functional regions may be different when focusing on metropolitan regions from those used for predominantly rural places, where the urban component is less relevant and bi-directional relationships much stronger. Functional regions in metropolitan territories are usually demarcated by hierarchical methods that start with the delineation of urban cores. However, this hierarchical approach is not appropriate for predominantly rural regions (or sparsely populated regions with market towns). In such cases, methodologies that group different and contiguous municipalities on the basis of the self-containment of commuting flows can be used, without requiring any urban-centric structure or density threshold. Box 3.1 provides a recent example applied in Canada.

Box 3.1. **Functional regions in predominantly rural territories**

Typically, the analysis of spatial labour areas has focused on the connectivity between smaller geographic units through labour force commuting flows. In the Canadian context, such analysis has considered metropolitan areas and major agglomerations as the primary destination of commuting for non-metropolitan residents. The best-known example is the metropolitan influenced zone (MIZ) classification system, which emphasises the connectivity between core metropolitan areas and their surrounding areas. However, this classification pays less attention to the connectivity of smaller geographic areas outside the labour market areas of census metropolitan areas (CMAs) and census agglomerations (CAs).

To address this issue, an analysis was conducted exploring the possibility of identifying self-contained labour areas (SLA) across Canada, as well as in predominantly rural areas (Munro et al., 2011). An SLA was defined as a group of two or more municipalities (census subdivisions), where at least 75% of the workers both live and work in the area. The underlying principle was the evidence that rural-to-rural commuting is substantial. Previous analysis had shown that, for residents of areas outside a CMA or CA, the commuting exchange with other non-CMA/CA areas was just as significant as the commuting toward CMA/CA areas. In other words, for Canadian residents of rural and small town areas, the labour markets represented by small towns and rural settlements are as important as the labour markets of larger metropolitan centres.

The methodological approach used for this analysis placed greater emphasis on the multidirectional nature of commuting flows and accounted for the strength of commuting relationships between municipalities (census subdivisions), regardless of their settlement structure. The data used to create SLAs was the commuting flows data (journey-to-work) generated by the 2006 Census of Population. Although journey-to-work data are available at many different levels of geography, the census subdivision (CSD) geography combines national coverage with the smallest possible geographic scale, on the one hand, and a relatively close match with actual administrative units (the municipality), on the other hand. The methods used for the analysis built on the existing literature on labour market areas delineation. A clustering procedure was implemented in SAS programming language, using an algorithm that emphasised the reciprocal importance of commuting flows, to measure the strength of the linkage between any two census subdivisions. This procedure focused on the reciprocal importance of commuting linkage by repeatedly selecting for the CSD or CSD group with the lowest degree of self-containment, regardless of their classification into types of settlements.

The results of this analysis generated a proposed delineation of 349 self-contained labour areas across Canada. On average, the SLAs resulting from the analysis are 96% self-contained, which is significantly higher than the minimum required level (75%). The average SLA has a resident workforce of 36 000 workers and the resident population of 89 000 inhabitants and is comprised of 11 CSDs. However, the population size of the 349 SLAs varies considerably. Three SLAs have a population of 2 million or more and comprise 40% of Canada's population; these are centred on the metropolitan areas of Montreal, Toronto and Vancouver. At the opposite end, the analysis resulted in 162 SLAs with a population of less than 10 000, representing about 2% of Canada's population.

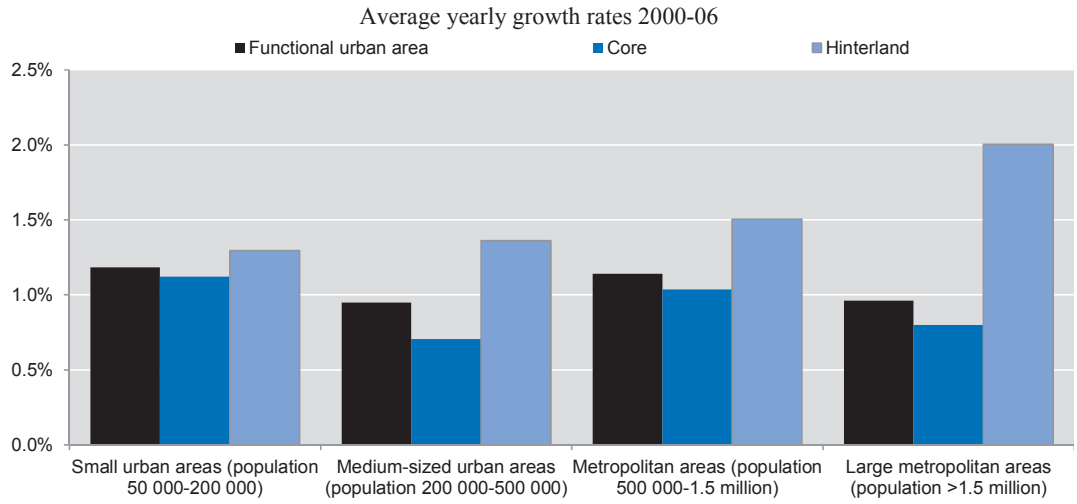
In between these two groups, the results showed a range of SLA types with different sizes of agglomerations and settlement structures. Most importantly, the SLAs resulting from this analysis show the existence of predominantly rural labour market areas, with relatively higher linkages within the SLA and relatively lower linkages across SLAs. Examining these SLAs in terms of the degree of rurality yielded interesting results. In particular, between 29% and 39% of Canada's rural population, depending upon how rural is defined, resides in SLAs that are predominantly rural. This suggests that further investigation and assessment of the concept of functional areas in predominantly rural territories could result in relevant findings for analysis and for policy implementation.

Source: Munro, A., A. Alasia and R.D. Bollman (2011), "Self-contained labour areas: A proposed delineation and classification by degree of rurality", *Rural and Small Town Canada Analysis Bulletin*, Vol. 8, No. 8, Statistics Canada, Catalogue no. 21-006-XIE, Ottawa.

OECD functional urban areas vary widely in terms of size and degree of administrative fragmentation

The formation of functional urban areas has been driven by processes including suburbanisation – thanks to the territorial changes noted at the beginning of this chapter – and the expansion of the space over which people and firms can easily move on a daily basis (e.g. through the use of cars). Generally, in the last decade, the population in rural and peri-urban territories composing the hinterland of these functional urban areas has been growing faster than in urban cores (Figure 3.3). This is consistent with the results presented in Chapter 1 showing that rural areas have potential for growth and that areas close to urban ones and integrated with them demonstrate higher growth. The population in the hinterlands of functional urban areas is found to grow most rapidly in large metropolises, whose hinterlands grew at an average rate of 2%, twice as much as in urban areas of any other size.

Figure 3.3. **Population growth by size of functional urban area and core/hinterland**

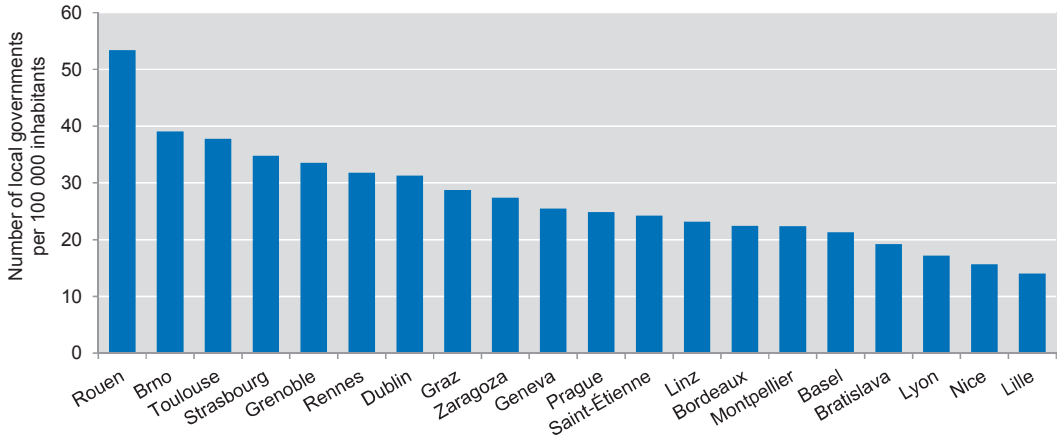


Note: The period of growth specified is 2005-2010 for Korea and 2001-2011 for Portugal.

Source: OECD (2012), *Redefining "Urban": A New Way to Measure Metropolitan Areas*, OECD Publishing, http://dx.doi.org/10.1787/9789264174108-en.

The discrepancy between administrative and functional geographies can make it difficult to design and implement policy effectively. This discrepancy is associated with the phenomenon of administrative fragmentation, which is often measured as the ratio between the number of municipalities and total population in the area. This indicator can be very high in OECD functional urban areas, as shown in Figure 3.4. In the literature of multi-level governance, the discrepancy between the functional and administrative geography has been referred to as the "administrative gap" and represents one of the main challenges for effective governance at sub-national level (Charbit and Michalun, 2009). Of course, the extent to which the administrative gap becomes a serious issue depends on the characteristics of the national institutional framework and on the capacity for co-ordinating action vertically and horizontally across levels of government.

Figure 3.4. **Top 20 OECD metropolitan areas by degree of administrative fragmentation (number of local authorities per 100 000 inhabitants)**



Source: OECD (2012), "Metropolitan areas", *OECD Regional Statistics* (database), http://dx.doi.org/10.1787/data-00531-en.

The complex geography of rural-urban partnership

Labour market interactions are the key to identifying functional regions

Rural-urban partnership is one way of improving co-ordination between administrative entities in functionally integrated urban and rural areas. The 11 case studies included in this report illustrate the complexity of defining the geography of rural-urban co-operation. The characteristics of a region, such as the size and spatial organisation of local authorities, institutional constraints, trust and overall socio-economic performance, all interact with one another and influence the spatial domain of rural-urban partnerships. The geographic domain of a partnership can depend on the policy issues at stake and on other contextual conditions. Sometimes the spatial boundaries of co-operation coincide with administrative regions or geographies defined by other levels of government. Detailed information for each case study, including the types of areas involved in the partnerships, the main findings, the challenges of its territorial definition and its coherence with the purpose of co-operation are reported in Table 1.A1.3. The following paragraphs summarise the general findings emerging from the analysis of the case studies on the complexity of partnership geography.

Recognising the geographies of urban-rural linkages is a relevant and potentially an initial step toward territorial co-operation. The identification of functional regions is important in three ways. First, it increases understanding of territorial interdependency, helping to explain and monitor socio-economic processes. Second, it recognises the right scale for possible intervention on a number of issues. In fact, functional regions constitute the space where these interdependencies are possibly best governed, where co-ordination can reduce zero-sum competition between administrative units and account for externalities. Third, it provides an instrument, if put into practice, for overcoming fragmentation and designing policies at the appropriate scale. Even after identifying an institutional boundary that might be a good fit, all the partners (e.g. municipalities) should be ready to co-operate both horizontally and vertically. Capacity, stable institutions and co-ordination across levels of government are the necessary conditions for making it happen and finding innovative solutions to the increasing challenges territories face.

Labour market interactions are a crucial function for rural-urban co-operation. Key intervention at this level would relate, among other things, to transport, housing, skills assessment and training. However, even in the labour market context, no single functional region exists. Much depends on which threshold of self-containment of commuting flows is chosen. It is also worth distinguishing between different types of labour flows. For example, evidence has been found that highly educated or knowledge workers commute much further than other workers and live in areas with higher land rents (Groot et al., 2012). This in turn may have effects on the housing market, as shown in the case of northern England, United Kingdom (Northern Way, 2009). Such considerations might be relevant, for example, if the purpose of rural-urban partnership is to improve transport connections or to create an attractive investment environment to stimulate innovation in particular sectors of the economy.

Geographies of co-operation depend on the purpose of partnership

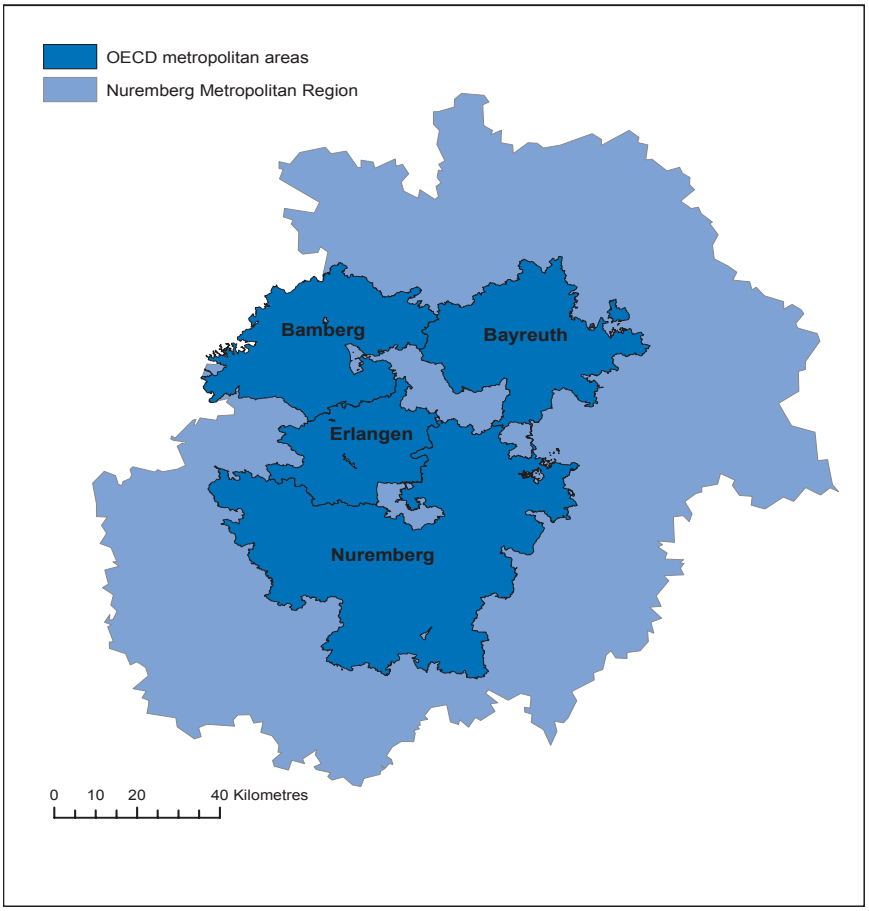
The complexity of territorial linkages means that identifying the functional region where these linkages take place cannot be accomplished by a unique or universal method. No measure can always be valid for all types of urban-rural relationship. Again, the appropriate method of identification of functional regions depends on the issue under consideration, hence on the purpose of the partnership. Table 3.1 shows some examples, based on observations from the case-study analysis, of criteria that can be taken into account in shaping the geography of rural-urban partnership on certain specific issues. The delineation of functional regions is not simply a technical exercise. Instead, it helps to explain the processes occurring in the territory and their implications, and its goal is the achievement of common objectives. In principle, every method of identification should ensure equilibrium between quantitative and qualitative criteria and should take into account the institutional organisation of each place. This equilibrium also depends on whether or not the partnership focuses on a single sectoral issue. If it takes an integrated approach, the territorial relationships are more complex, because different social, economic and environmental factors must be taken into account simultaneously.

Table 3.1. **Geographies of rural-urban partnership by issue of co-operation: Some examples**

Specific partnership purpose	Factors shaping the geography of co-operation	Examples from case studies
Economic development – territorial promotion	– Common territorial identity (e.g. common image to the outside) – Economic interdependencies	BrabantStad, Geelong, Lexington
Economic development – supply chain	– Economic interdependencies (e.g. business networks, labour market)	Forlì-Cesena, Nuremberg
Management of water sources	– Hydrological boundaries – water basin	Forlì-Cesena
Improvement of transport network	– Travel patterns for work, consumption and leisure	Prague, Rennes, Nuremberg
Land-use management (limiting sprawl)	– Travel patterns for work, consumption and leisure – Housing market dynamics	Rennes
Provision of health service	– Physical access to health facilities (e.g. hospitals) within a given driving time	Extremadura
Environmental protection	– Potential environmental externalities – Intra-regional consumption of environmental amenities	West Pomerania

The territory covered by a rural-urban partnership can easily extend beyond labour market areas. The spatial extent of functional regions ends when linkages become weak, at the point where partners can no longer contribute to the partnership (Artmann et al., 2012). The case studies show that co-operation on issues such as management of water sources, economic strategy, supply chains in agro-industry, tourism, innovation and territorial branding is usually carried out on a much broader scale than traditional labour market areas. The Nuremberg Metropolitan Region (NMR), for example, covers a much wider region than a conventional functional area defined in terms of labour market self-containment (Figure 3.5). Its territory encompasses four different functional metropolitan areas[4] and an extensive amount of rural territory surrounding them. Among the reasons for this large area of co-operation is the multipurpose character of the partnership and its integrated approach. Land-based economic complementarities, innovation, the public transport network and a common territorial identity are among the major functions that explain the current boundaries of the NMR as a space of co-operation. Another reason is that partnership is often among administrative units, which sometimes fall only partially within the functional region, so the partnership either has to include "non-functional territory" or parts of some administrative units.

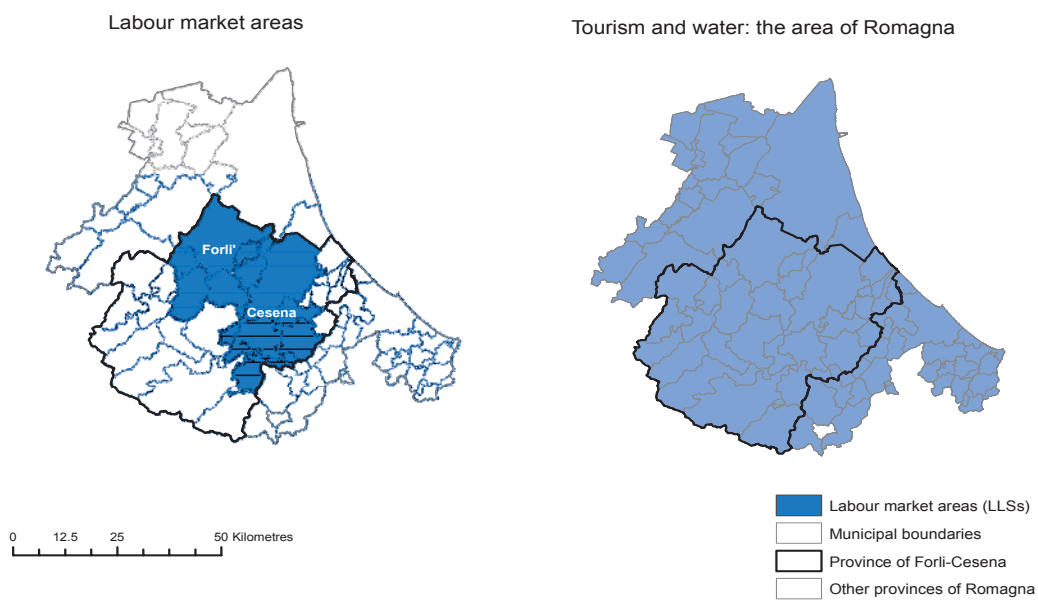
Figure 3.5. **Boundaries of the Nuremberg Metropolitan Region and OECD functional metropolitan areas**



Note: This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

The geography of rural-urban partnerships can be driven by "soft" factors as well, such as cultural elements and territorial identity. The case of Forlì-Cesena (Italy) is an example of co-operation at a wider spatial scale where soft linkages play an important role. According to the Italian National Statistical Institute, there are two different labour market areas for the two cities of Forlì and Cesena. However, all the partnerships observed in this region encompass a much wider territory, which sometimes extends even beyond the provincial boundaries. Figure 3.6 shows labour market areas and the geography of partnerships for tourism and for the management of water resources. While the geography of the water partnership is mainly based on topological characteristics (e.g. extension of the water basin), in the case of tourism, soft factors determined the area for co-operation, such as the territorial identity of "Romagna".

Figure 3.6. **Administrative organisation, labour market areas and partnership geography in Forlì-Cesena (Italy)**



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Source: based on Istat and OECD.

Flexibility and variable geometry in co-operation are important

The geography of a rural-urban partnership should be flexible and adaptable. Maintaining flexibility in the geographies of rural-urban partnership is important, because flexibility can facilitate co-operation. The first reason for flexibility is that functional boundaries are always subject to change over time. In addition, the actual geography of partnerships can be constrained by the rigidity of the institutional settings. The identification of functional regions should be used as a tool for understanding territorial relationships. However, even when there is a perfect match between labour market geography and territorial co-operation, this is not the only functional level to be addressed by rural-urban partnership. Different partnerships require different geographies,

depending on the policy issues in question. Each function – from water to transport corridors to supply chains or territorial branding – may require some form of governance. Flexibility in the spaces of co-operation is particularly important when partnerships are less formal and involve several cross-sectoral projects. For example, the BrabantStad partnership has entered into strategic co-operation with Venlo and Dordrecht/Drechsteden, cities outside its boundaries, but relevant to its regional economy.

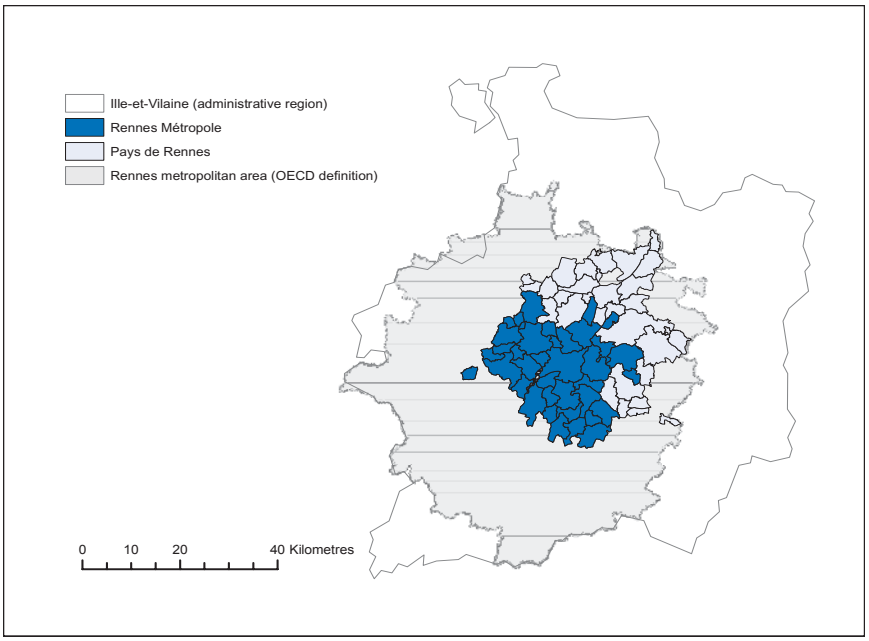
Under certain conditions, sub-national bodies with pre-defined boundaries can successfully manage and facilitate rural-urban partnership. This can happen when the socio-institutional environment has a strong co-operation culture and the capacity and willingness to co-ordinate with both higher and lower government tiers. This is particularly evident in the case of Forlì-Cesena and Rennes. The province of Forlì-Cesena – an intermediate administrative body between regional and municipal governments – facilitates and manages a complex set of rural-urban partnerships, also involving the private sector. Notwithstanding the purely administrative nature of the province and the discontinuity of its boundaries with almost any functional definition, the province was able to promote partnerships involving an appropriate set of actors and areas, sometimes looking beyond its boundaries. However, strong co-ordination with the region was almost always maintained. Trust and co-operation culture also helped.

Both the extent and the flexibility of the spatial boundaries of co-operation change on the basis of some key characteristics of the partnership. The evidence from case studies suggests that the partnership characteristics with implications for the geographical extent of co-operation include: *i)* single purpose vs. multi-purpose partnerships; *ii)* project-based vs. management-oriented partnerships; *iii)* formal acknowledgement and strength of the top-down approach.

- Partnerships dealing with different functional issues must be differentiated from those with a specific and limited objective. The cases show that multi-purpose partnerships require a matrix of different geographies and a high flexibility of boundaries. The Nuremberg Metropolitan Region is an illuminating example. This partnership is multipurpose, and its boundaries are relatively large, encompassing four metropolitan functional areas and a substantial area of adjacent rural territory. Co-operation covers several issues, and members freely choose which they will co-operate on.
- In terms of spatial boundaries, project-based partnerships are on average less rigid than management-oriented structures. These are formal bodies that take responsibility for one or more specific issues, resulting in a formal attribution of power from lower or higher administrative levels. These structures allow for stability and close co-ordination. In the case of Rennes, the body managing the rural-urban partnership and inter-municipal co-operation – the Rennes Métropole *communauté d'agglomération* – is an administrative body composed of a cluster of contiguous municipalities with formal competences in several issues (e.g. housing, transport). Its boundaries are on average smaller than that of the functional region defined in terms of labour market areas (Figure 3.7). Many rural areas are not included within the boundaries of Rennes Métropole even though they are economically integrated with it. However, close co-ordination with higher administrative bodies (e.g. *Pays de Rennes*) helps overcome these constraints.

- The policy use of the functional region concept can be distinguished on the basis of the strength of bottom-up or top-down approaches. Functional regions can be framed in a national programme that sets the tools and rules that encourage local authorities to join a partnership linked to policy, as, for example, in France and in Finland. In Finland, a national pilot project was launched to encourage service provision in remote areas through broadband connections. Municipalities voluntarily pool their efforts to invest in this. In other cases, municipalities identify a space for co-operation themselves without any previously set framework or incentive. This was observed in Australia and the United States, where the geography of the partnership was completely flexible. At the opposite extreme, the boundaries of functional regions can be decided in a top-down approach by a higher level of government. This can happen, for example, to delineate the areas – or cluster of municipalities – that will be responsible for the provision of certain public services (e.g. healthcare), such as in Extremadura (Spain).

Figure 3.7. **Functional region and inter-municipal co-operation in Rennes (France)**



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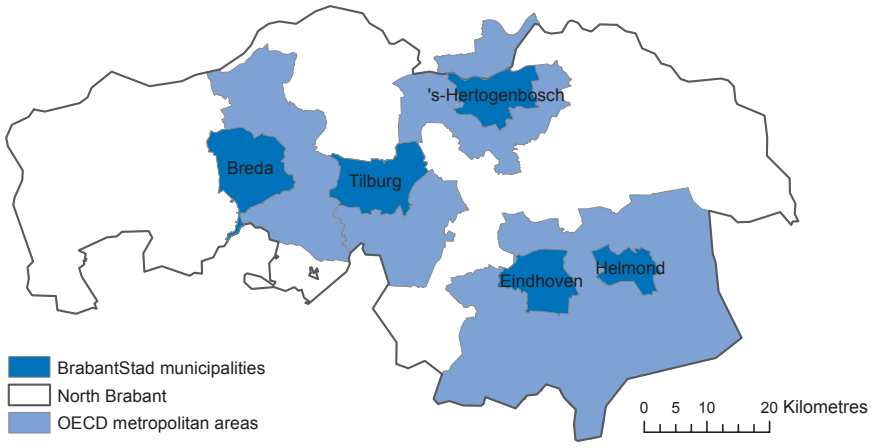
Physical proximity has a crucial role in defining the geography for rural-urban partnership. Although it is recognised that urban-rural relationships also occur among non-contiguous areas around a concept of "organised proximity" (Copus, 2012), physical distance is still a fundamental determinant of many interactions and subsequent partnership. Especially in the absence of a formally recognised body that manages the partnership, co-ordination among local authorities requires meetings and easy face-to-face interaction, which is only possible within a certain radius. In the case of the Australian partnership in Geelong (G21), the geographical boundaries of co-operation are flexible, but have never extended much beyond labour market areas, since physical proximity was reported as a condition for partners to interact. In the Dutch case study, the

BrabantStad partnership involves five non-contiguous cities. However, their respective labour market areas are contiguous and sometimes overlap (Figure 3.8). Moreover, the five cities are all close by and within the same provincial boundaries, and the province itself is also a member of the partnership.

Figure 3.8. **The geography of the BrabantStad partnership (Netherlands)**



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Overcoming the challenges of adopting a functional region approach in policy making

The practical application of the concept of functional region for territorial strategies and/or policy can be different depending on the formal recognition of the functional regions themselves and on the strength of rural-urban integration (Ferrão et al., 2012). This can involve three different situations:

1. areas already formally recognised as functional regions, which are targeted by projects and initiatives involving both urban and rural areas
2. areas characterised by strong territorial relationships, but without any tools to carry out joint planning or management
3. areas characterised by weak urban-rural functional relationships, whose development requires new forms of co-operation.

In the first situation, partnership is already in place on the basis of existing territorial relationships. The attention here should be focused on its effectiveness and on the types of governance arrangements. In the second case, the bottleneck may be in existing institutional constraints that are blocking co-operation. To get the partnership working, policy should try to relax these barriers by creating a favourable legal and regulatory environment. Finally, in the third situation, co-operation is difficult because of the weak connections between potential partners. In this case, especially when the partnership involves inter-municipal co-operation, other cultural elements, such as a lack of trust, may be the basis of these weak relationships.

The value of using functional regions for focusing territorial development strategies and policy must be weighed against the challenges they present. The main challenges to the practical application of a functional approach that were observed in the case-study analysis can be overcome by focusing on the elements reported below.

A. Creating an enabling environment for partnerships

- Set a cohesive governance structure. When municipal size, and political relevance, differs widely among partners, this can affect willingness to co-operate, especially on the part of the smaller and more remote areas. A big gap in size among partners may be an issue in the case of an urban centre that is much larger than surrounding rural councils. The observed case studies include situations where partners of different size and economic and/or political power are able to co-operate successfully (e.g. Rennes and Nuremberg). This type of challenge is usually overcome by inclusive governance structures, whose characteristics are detailed in the next chapter.
- Deal with potential overlaps with other existing levels of government. Co-operating beyond local administrative boundaries does not only affect the partners. A functional approach to co-operation may emerge from, or aim to deal with, issues that overlap with competences or functions of other government levels. This may generate conflicts with higher tiers of government, or simply constrain the type of activities and functions in which the partnership can play a role. Increasing co-ordination among levels of government can help overcome this challenge.
- Develop trust and a culture of collaboration. Each administrative unit may be reluctant to lose some of its functions in order to co-ordinate with other units. Developing trust and the habit of working together can help a partnership's formation and stability. This can be done by promoting multiple small initiatives on "win-win" issues, on which partners can co-operate and see some results in the short term.

B. Achieving stability and long-term sustainability

- Combine efficiency with legitimacy. Co-operation is perceived as useful for reaching specific objectives and often represents a way to overcome inefficiency generated by a lack of fit between form and function. However, the application of a functional approach may be challenged by limited direct political representation, which can create issues of legitimacy. More specifically, the need to provide the partnership with legitimacy and political accountability varies with the need for more formal recognition.
- Maintain flexibility in the territorial boundaries and in the partners involved in the partnership. Functional regions are non-institutionalised spaces, and their boundaries change over time. This can weaken the sustainability of co-operation, since the number and type of actors may change, modifying the balance of the relationships between partners and their willingness to co-operate.
- Consider financial sustainability. Applying a functional approach to policy making may imply additional activities, structures and costs that discourage the formation of the partnership. Similarly, when co-operation is facilitated by financial incentives, maintaining co-operation once the incentives decrease or disappear, as well as avoiding deadweight losses, can become an issue.

C. Balancing transaction costs vs. opportunity costs

- Overcome transaction cost barriers. Co-operating across administrative boundaries on a functional perspective inevitably means incurring transaction costs. These are the costs directly associated with the additional administrative burden of co-operation. No matter which form of governance is adopted to manage the urban-rural relationship – from the creation of a new formal body to the most informal co-operation – such costs may discourage the formation of the partnership. A focus on a few clear objectives can help co-ordination, reduce dispersion of resources and facilitate the recognition of the partnership's outcomes.
- Consider that benefits may have different time horizons. The benefits of co-operation may accrue at different points and in different proportions for urban and rural actors. This can be a challenge for actors in the partnership whose benefits are not sufficiently immediate and visible. Big benefits in capacity in small rural areas can sometimes take too long to be appreciated by the partners. Setting clear objectives in the short term, even if they are easy to reach and not very ambitious, can help overcome this challenge.

D. Measuring success

- Facilitate the collection of information on functional regions. Co-operation at the level of functional interdependencies should be based on detailed and frequently updated quantitative information on socio-economic and environmental conditions in urban and rural areas and on the flows of goods and information between them. It is crucial to set precise goals that can be assessed, at least partially, through objective measures. This also involves facilitating greater availability of socio-economic data at small spatial levels, so that they can be aggregated to build information on functional regions.
- Monitor achievements. The measurement effort should be simple and effective, focusing only on few major objectives and relative indicators. These should be clear from the beginning of the co-operation process. Transparency and public availability of data can also help overcome these challenges.

Notes

1. For a conceptual definition of the city *de facto* and its identification in the Italian case, see Calafati and Veneri (2013).
2. The methodology has not been used for Australia, Iceland, Israel, New Zealand and Turkey.
3. For an extensive and detailed description of the methodology of identifying functional urban areas, please see OECD (2012).
4. More specifically, the functional urban areas that fall into the NMR are Nuremberg, Bamberg, Bayreuth and Erlangen.

Annex 3.A1

Partnership geographies of case studies

Table 3.A1.1. **The geography of rural-urban partnerships: A summary from 11 case studies**

Case study	Types of area involved	Type of geography of the partnerships	Partnership purposes	Main findings on territorial definition
Nuremberg, Germany	Urban, peri-urban, rural	Functional region. A cluster of 33 districts, it encompasses 4 different functional metropolitan areas.	Territorial branding Innovation Transport network Agro-industry	Urban-rural relationships go beyond labour market areas. Soft factors (e.g. territorial identity) help to work at a wide spatial level and to overcome a strong urban-rural distinction. Flexibility of boundaries is allowed by carrying informality and by multipurpose partnerships.
Forlì-Cesena, Italy	Urban, peri-urban, rural	Administrative region (province) as a framework, but high flexibility, beyond provincial boundaries.	Agro-industry Tourism Innovation Water	Urban-rural relationships go beyond labour market areas. Soft factors (e.g. territorial identity) help to work at a wide spatial level and to overcome a strong urban-rural distinction. Vertical co-ordination across different government tiers, informality and vertical co-ordination facilitate a higher flexibility of boundaries.
Rennes, France	Urban, peri-urban	Functional region with administrative acknowledgement. A formally recognised association of 37 municipalities with legal powers, smaller than a labour market area.	Housing Spatial planning Transport network Environmental policy Economic development	Rigid territorial boundaries can be overcome by capacity to co-operate at a wider level. The geography of the partnership does not include a substantial part of rural areas that are integrated with the main city. A high formal recognition and implementation competences at the partnership level can discourage the involvement of remoter areas.
Prague, Czech Republic	Urban, peri-urban, rural	Informal co-operation between Prague and municipalities located in Central Bohemia region.	Public transport network Spatial growth of Prague	The current administrative organisation of regional boundaries does not facilitate co-operation among lower government tiers. City's expansion and transport network drive co-operation.
Lexington, United States	Urban, peri-urban, rural	Functional region of several counties, encompassing a territory whose smallest possible boundary is that identified by the Lexington MSA.	Territorial branding Economic development	Jointly market and support economic activities in a region that can be seen to be a coherent unit and which provides a broader array of opportunities for inward investment. Co-operation driven by private sector crosses administrative boundaries more easily.
Geelong, Australia	Urban, peri-urban, rural	Functional region. It includes five municipalities, identifying a territory slightly larger than a labour market area.	Access to funds Spatial planning, Economic development	The geography of the partnership is flexible and appropriate, given the aims of the partnership. Informal co-operation among municipalities and an absence of other intermediate tiers of government may limit the number of partners and increase the importance of physical proximity for direct interaction. Transaction costs increase rapidly with the increase in the number of partners.

Table 3.A1.1. **The geography of rural-urban partnerships: A summary from 11 case studies** (*cont.*)

Case study	Types of area involved	Type of geography of the partnerships	Partnership purposes	Main findings on territorial definition
Central Finland (Jyväskylä and Saarijärvi-Viitasaari), Finland	Predominantly rural	Functional region including several contiguous rural municipalities.	Service provision (ICT, e-government, education, health) Access to funds	Discrepancy between top-down functional identification and willingness to carry out bottom-up co-operation. Rigid and pre-determined boundaries can guarantee stability and capacity building (e.g. managing EU funds).
West Pomerania, Poland	Urban, rural	Functional region whose boundaries are identified from the top.	Service delivery Project to build a common strategy on economic development	Discrepancy between top-down functional identification and willingness to carry out bottom-up co-operation. The identified functional region may be too small to be a viable economic unit, but may make sense as a first step to encourage an uneasy inter-municipal co-operation.
Beira Interior Sul, Portugal	Predominantly rural	Functional region including a city and surrounding rural areas.	Access to funds Territorial promotion Political relevance	Financial incentives have substantially driven partnership. Gaps in size between different areas can hinder collaboration.
Extremadura, Spain	Predominantly rural	Functional region (*comarcas*). Cluster of municipalities defined by common cultural, geographical and historical elements.	Service provision Economic development (LAGs)	Co-operation is carried out at a territorial level that does not include urban areas; "win-win" co-operation appears easier among rural areas only. Overall declining demographic trends and high distances can favour competition and hold back co-operation between urban and rural areas.
Brabant, Netherlands	Predominantly urban	Functional/administrative. It is a set of five non-contiguous cities located within the same province.	Access to funds Territorial promotion Spatial planning	Urban-rural relationships go beyond labour market areas. Linkages include synergies across different non-contiguous (but close) cities on fund raising and regional promotion. Participation of a limited number of (urban) partners may speed co-operation process and reduce transaction costs. However, the rural territories in the province are not participating directly, and it is not guaranteed that what the cities achieve will be shared with their rural surroundings.

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Chapter 4

Understanding the dynamics of rural-urban partnerships

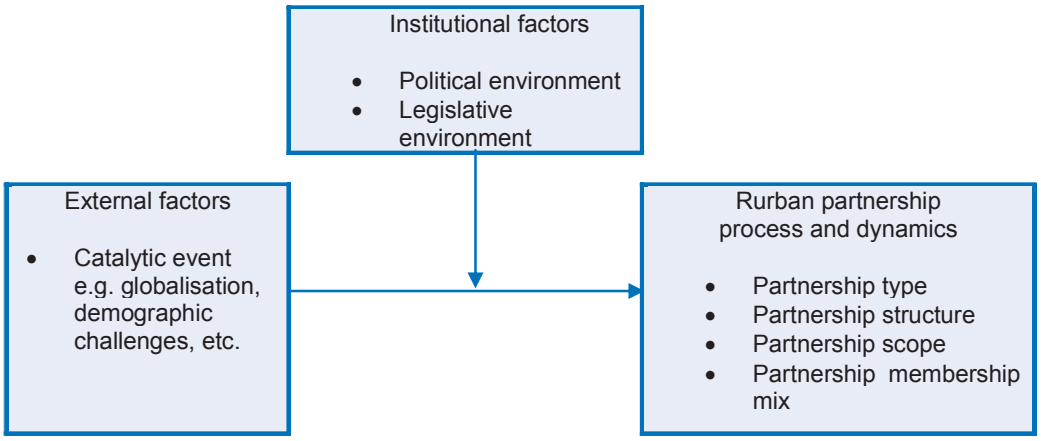
This chapter examines the characteristics of rural-urban partnerships and factors that can help or hinder them. Adopting an integrated approach to policy making means that the partnership has the capacity to make proposals or decisions on an issue with the participation of the relevant stakeholders. Partnership should have a cross-sectoral dimension so that it can bridge traditional sectoral divides or break down the traditional "silo" working ethic. It should incorporate a dimension of inclusiveness, offering a forum where members of the interested and affected urban and rural constituencies can be heard, directly or indirectly.

This chapter explores the process and dynamics of rural-urban partnerships, or in other words, the factors that shape the partnership. While the characteristics are discussed individually, it is not just one factor but a number of them working together that influences both the formation and the longevity of the organism. The chapter is divided into two sections: "Rural-urban partnership process and dynamics" and "Factors that could help or hinder rural-urban partnerships". The first section sets out a threefold discussion of the characteristics: *i)* external factors that drive consideration of a rural-urban partnership; *ii)* the institutional environment – political, regulatory and history of collaboration aspects that will shape the form of the partnership; and *iii)* the characteristics of the partnership: partnership type, structure, scope and membership mix. The second section focuses on the points that help or hinder rural-urban partnerships.

Overview of the rural-urban partnership process

The dynamics of rural-urban partnerships include the external factors, institutional factors and the partnership characteristics (e.g. type, scope, structure and membership mix). These variables are particularly relevant, as the presence or absence of a combination of these elements will affect the resulting entity. These factors work in tandem not just to increase or decrease the possibility that a partnership will form, but also to determine the breadth and scope of its reach. This study involves the analysis of different institutional arrangements for rural-urban co-operation, taking into account their presence and performance. One aim is to construct a basic conceptual model, based on the case studies, consisting of the key variables associated with a rural-urban partnership in three spheres: the external factors (factors driving the need for rural-urban partnership); the institutional factors (the institutional environment that will shape the choice of the partnership) and, the rural-urban partnership process and dynamics (the form and function of the rural-urban partnership). These factors are all interlinked (Figure 4.1).

Figure 4.1. **Rural-urban partnerships process and dynamics**



Source: Adapted from Montfort, A. and J. Hulst (2012), "Institutional features of inter-municipal co-operation: Co-operative arrangements and their national contexts, *Public Policy and Administration*, Vol. 27, No. 2, pp. 121-144.

External factors

The case studies show that the external variables that drive the action provide both an opportunity and a threat. The catalytic event plays a dual role: as both a threat, to force consideration of change from the status quo, and an opportunity to forge a new road map. A problem is recognised and a solution developed, and an action – rural-urban partnership – is devised as the course of action. One variable is important: the catalytic event which fosters the mutual understanding that a rural-urban collaboration should be the course of action.

Catalytic event

The catalytic event is often an external shock, e.g. economic decline or demographic challenges, which drives the cities and rural areas to collaborate. It is the rationale for action, the basis of the energy or the will to act (Agranoff, 1998). In crisis and dynamic environments, governments face an imperative to act. They not only need to scan ahead to anticipate future policy challenges, but also require the ability to re-prioritise government policies and programmes and to re-allocate both financial and human resources accordingly (OECD, 2010). Several of the regions in the case studies were motivated by similar elements. For example, in Poland's Central Zone, the fragmented internal markets and inadequate internal connections, high unemployment and high out-migration underlie the push for a rural-urban partnership. The region in Central Finland was motivated by the need to improve service provision, particularly in the most remote rural areas. The Extremadura region in Spain was motivated by a similar concern, seeking to slow down the population decline and improve socio-economic conditions in the peripheral areas.

Institutional factors

For urban and rural actors to work together, the governance framework has to create an enabling institutional environment. This requires a capacity to collaborate, uninhibited by political or legal constraints. Once the course of action is agreed upon, the type of organism that comes into existence is linked to the political and legislative environment. It influences the way actors define their interest and preferences and helps shape the type of rural-urban partnership that emerges (see Table 4.1). For example, the fact that the BrabantStad partnership structure is not based on legislation seems the most appropriate fit for the political and governance environment within which it operates. The government's aim is to reduce the layers of governance and reduce the numbers of municipalities, and as such, would prefer not to work with networks such as the BrabantStad partnership. Because the BrabantStad is a formal, but unstructured, strategic partnership, the government cannot formally abolish it.

The case studies show that institutional rules can promote collaboration or work against it (see Table 4.1). In Finland, the state encourages co-operation through special projects and programmes. In Spain, the autonomous communities can compel groups of municipalities with "common geographical, economic and social characteristics" to collaborate. Polish legislation introduced voluntary mechanisms for inter-municipal collaboration. OECD (2010) revealed that approximately 60% of the municipalities were engaged in some form of inter-municipal collaboration scheme. Sub-national governments can work together in three ways: by setting up a syndicate, signing an agreement or by setting up an association. In contrast, in the Lexington, Kentucky, example, the dependency on own-source tax revenue creates an environment where

counties compete for jobs and income. While virtually all local officials recognise that in principle, regional collaboration could improve the collective well-being, they fear their jurisdiction might lose something in the process. In such an environment, without a compelling reason to collaborate, it is safer politically to act autonomously. Collaboration may mean sending local revenue outside the county, which is difficult to explain to voters.

Table 4.1. **Enabling environment: Snapshot from the case studies**

				Brabant, Netherlands	Prague, Czech Republic	Forlì-Cesena, Italy	Extremadura, Spain	Central Finland (Jyväskylä and Saarijärvi-Viitasaari)	Lexington, Kentucky, United States
Partnership	Political	Supportive	National			×	×	×	
			Sub-national	×	×	×	×	×	
		Less supportive	National	×	×				×
			Sub-national						×
Environment	Regulatory	Supportive	National		×	×	×	×	
			Sub-national	×	×	×	×	×	
		Less supportive	National	×					×
			Sub-national						×

A politically unpropitious environment can also make it difficult to gather the necessary interest, members or resources to collaborate. Policies should promote opportunities for inclusive growth, with less pronounced gaps between rural and urban areas. In the United States, there is an economic imperative for collaboration, but no political support. The incentives for co-operation on economic development between counties are weakened because of the asymmetrical public finance implications. In Prague, the Ministry of Regional Development sets out in some detail opportunities for collaboration through, for example, micro-regions and local action groups. It also notes that the scope for such action is limited: "Municipalities may collaborate together only while executing their independent competencies. They may conclude a contract in order to carry out certain tasks, they may establish a free association of municipalities, or they may form a corporate body (company, co-operative, etc.)." In this context, it is not surprising that the examples of collaboration were few and far between.

Rural-urban partnership process and dynamics

Partnership type

Two types of rural-urban partnerships are represented in this study, explicit or implicit (see Table 4.2). This distinction is important, because a rural-urban partnership's performance, its scope for action and its ability to choose new strategies depend on this difference. An "intentional" partnership's explicit aim, as illustrated by its mandate or strategic objectives, is to foster a rural-urban partnership or strengthen rural-urban relationships in a given region. Thus, in explicit partnerships, the rural-urban dimension is very clear, and in principle, the relations between the urban and rural stakeholders, and their interests, are taken into account in the partnership's membership mix, work and strategic objectives.

From the outset, the Rennes Métropole partnership's "*ville archipel*" (urban archipelago) model considered both the development of the urban core and the surrounding countryside. Informants indicated that efforts were made to understand the different aspects of urban and rural relationships, to ensure that their interests were reflected in the projects. The Bad Windesheim Declaration, the foundation document for the Nuremberg Metropolitan Region, notes that "the general conflictive representation of urban and rural regions is objectively incorrect and does not conform to the reality of life in Bavaria". As such, the partnership focuses on integrating rural and urban areas and offering new development opportunities. The region of Geelong, in Victoria, formed the G21 Geelong Alliance with the explicit goal of developing the functional rural-urban economic region.

Table 4.2. **Rural-urban partnerships: Type and structure**

	Partnership				
	Type		Structure		
	Intentional	Unintentional	Formal, institutionalised	Informal	Formal but not institutionalised
Rennes, France	x		x		
Geelong, Australia	x		x		
Nuremberg, Germany	x		x		
Central Zone, Poland	x			x	
Brabant, Netherlands	x				x
Prague, Czech Republic		x		x	
Forlì-Cesena, Italy		x	x		
Extremadura, Spain		x	x		
Castelo Branco, Portugal		x		x	
Central Finland (Jyväskylä and Saarijärvi-Viitasaari)		x		x	
Lexington, Kentucky, United States		x		x	

The "implicit" partnership does not have a rural-urban partnership as its explicit objective. Instead, it aims to improve co-operation through a common local development objective, strategy or project. However, the member authorities within these co-operative structures are both urban and rural. For example, the Finnish case showed little evidence of a defined rural-urban partnership agenda, with a clear articulation of the linkages. It did not focus on an integrated territorial approach and on the value of bringing funds together from public, private and civil society sectors. Some rural-urban interplay, in its goal of benefiting the different regions, was a secondary or incidental objective. The relations between the partners were guided by an agreement to "share resources" in specific areas or on specific issues (e.g. service delivery) that already explicitly or implicitly reflected the interests of the rural and urban areas.

Policy-driven/top-down/bottom-up

In many instances, the trigger for establishing co-operative relationships is funding made available by the government (see Box 4.1). A locally driven motivator means that the region itself recognises the need for better co-operation and co-ordination. Bottom-up is important, but top-down is also relevant. Numerous examples exist of partnerships created as part of a central government strategy to support the delivery of programmes at the local level (OECD, 2001). In policy-driven or top-down situations, the central level

considers the partnership approach an appropriate solution to a given type of problem. France offers national financial incentives for inter-municipal co-operation. Policy drivers, financial incentives and bottom-up processes can all play a role in the formation of a partnership. The key is not whether bottom-up or top-down is preferable, but which method of galvanising a rural-urban collaboration is best in the circumstances. Such factors, together with the leadership of key local actors or an institution, an existing culture of partnership and a catalytic event affecting the urban and rural areas, increase the likelihood that a rural-urban partnership will be formed.

Box 4.1. **Incentives – different ways of starting a partnership**

Partnerships can be formed for a variety of motives, and can be started in a number of different ways. The initial impetus can be:

- locally driven, or bottom-up, meaning from the region itself, where the need for better co-operation and co-ordination of activities is acknowledged
- policy-driven, or top-down, when the central level considers the partnership approach to be the right one as the solution to a certain type of problem
- incentive-driven, in that money is offered for a certain type of activity (as in the case of the European Commission programme on partnerships).

Source: OECD (2001), Local Partnerships for Better Governance, Local Economic and Employment Development (LEED), OECD Publishing, http://dx.doi.org/10.1787/9789264189461-en.

In Finland, while the Regional Council brought together the municipalities under statute, the impetus for collaboration was clearly from the bottom. Municipalities in Finland have shown an extraordinary appetite for collaboration and partnership, with an impressive array of joint arrangements. In Central Finland, below the regional level, eight informal sub-regions are made up of groupings of municipalities. These sub-regions are not statutory, but have been established by municipalities motivated to explore synergies and create joint approaches to shared agendas. In the Polish case, the impetus comes more from the top. The Regional Development Ministry is seeking to enlist municipal capacity to collaborate on a larger scale to confront common economic and service delivery challenges in the Central Zone. The belief is that collaboration between the authorities and agencies working within the functional zones will help them address issues and take advantage of opportunities more effectively than by working at either the municipality or county level. But the danger remains that any organism that is introduced may not have sufficient buy-in without some interest from the bottom up. In Portugal, inter-municipal collaboration was a top-down initiative. Informants in the Castelo Branco region referred to the institutions participating as weak. This may have been due to the strength of the municipalities, but the lack of ownership and buy-in from the bottom undoubtedly played a role.

The G21 rural-urban partnership in Australia grew out of both top-down and bottom-up efforts. The reorganisation of local government by the state government created the opportunity, and the city of Geelong supplied the strategic vision and the leadership. The city recognised that the city and the region as a whole needed to better organise communication and lobbying activities with higher tiers of government, and used this initiative as the foundation for a formal collaboration framework. The Nuremberg partnership evolved in a similar manner. The MORO "Supra-Regional Partnership" initiative, orchestrated by Germany's federal government, provided the

means, and a highly co-ordinated network of business and institutions in the region provided the platform on which to build a partnership. The then Lord Mayor of Nuremberg capitalised on both these aspects to push for a broader, more comprehensive, collaboration.

Box 4.2. **Germany's MORO project brings urban and rural areas together in project-oriented partnership**

Metropolitan regions function as strong and successful models of cohesion and division of labour among urban and rural areas. In MORO, an official three-year pilot project on spatial development of Germany's Federal Ministry of Transport, Building and Urban Affairs, as well as the Federal Institute for Research on Building, Urban Affairs and Spatial Development, a number of German metropolitan regions have systematically explored co-operation between metropolitan regions and their hinterlands. This pilot project of spatial planning resulted from a heated debate at national level in Germany about how to support metropolitan regions in enhancing their competitiveness, while ensuring regional cohesion. The aim of the pilot project was to see whether metropolitan and rural areas could join forces in project-oriented co-operation on the basis of mutual benefit. This new approach to cohesion politics and the establishment of so-called "urban-rural partnerships" have proved to be successful. As a result of the model project, the participating metropolitan regions have been able to enlarge and improve co-operative organisational and governance structures. The rural partners have joined forces with metropolitan partners, have implemented their own projects and become partners in new networks and in the decision-making process. The overall aim is to help an extended region take on current and future challenges.

Source: Federal Ministry of Transport, Building and Urban Affairs (2012), *Urban-Rural Partnerships – Growth and Innovation through Co-operation*, Berlin.

Role of leadership

Leadership plays a crucial role in shaping the context and the direction of the rural-urban partnership. The leader could be an institution (e.g. the province in Italy) or an individual actor (e.g. the Lord Mayor of Nuremberg, the Royal Commissioner in Brabant, or the city of Greater Geelong). Leadership is required to mobilise resources and encourage partners to participate in the endeavour, to help define the common purpose of the partnership and to educate partners on the importance of cutting across boundaries between their respective organisations. Leaders are well positioned to undertake a number of pro-active steps that serve to either mandate or incentivise actors to join the partnership. Overbeek and Terluin (2006: 242) observes that often "the presence of a strong local leader or the existence of a huge external threat acts as a trigger for the creation of territorial co-operation going beyond separated rural interests". Kingdon points out that the disasters and other focusing events are only rarely enough to carry a subject to prominence on the policy agenda. He noted that they need to be accompanied by something else (1984: 103). Leadership, that is, actors willing to make an investment of their resources, is crucial. These are actors who can "fix the attention on the problem and make the connection between rural and urban as a conduit to the solution" (Box 4.3).

Without a key leader, it is difficult to bring actors to the table and keep them in play, even when all other factors are present, particularly in regions where the culture of collaboration and trust in government is low (e.g. Portugal). This element was missing in the case of Prague-Central Bohemia. The difficulties for Central Bohemia in dealing with Prague stem from the fact that the region had little authority over its individual

municipalities and that interest among the municipalities in forging better relations with Prague was fragmented. Similarly, over-reliance on individual, personal networks, with a strong emphasis on the exercise of informal authority, can allow individuals to exert heavy and direct influence on the system. They are also more likely to be personally identified with action and its results, both positive and negative. The question remains how well the partnership will survive changes in personalities, as new political leaders take over in the years ahead. How far has the partnership (and the related trust and shared identity) become institutionally embedded? How far has institutional capacity been created (Healey, 2007).

History of collaboration

Leadership is also linked to an area's history of collaboration. Where experience with collaboration is low or the environment is prone to conflict, a leader becomes a necessary instrument and plays a highly visible role. This was evident in a number of the partnerships. For example, in Nuremberg and Geelong, the leaders helped to persuade the members to join the partnership by leveraging relationships. In the Netherlands, the Royal Commissioner brought the five cities together to work. Where the culture of collaboration is well entrenched and the environment is less conflictual, leadership plays a lesser role. In the Forlì-Cesena example, the provincial government has a constructive influence on local actors and is the liaison between decision makers at higher levels and the interests and demands of local society. While the province is capable of being an integrating force, its tradition of collaboration can help partnerships to emerge naturally. Its role in shaping the rural-urban partnerships tends more towards being a facilitator advisor than a "champion" or "driving force", as in the case of Australia, Germany and the Netherlands. One person acting alone, even a charismatic leader, may not be enough. But one person can begin a process that can have profound effects on the partnership.

Box 4.3. Summary of leadership qualities that emerged from the case studies

The leadership qualities that emerged from the case studies:

- ability to speak for others, e.g. in a decision-making position
- ability to connect politically, with strong negotiating skills, for example, to persuade urban and rural government officials to buy in to the partnership's objectives
- persistence and willingness to invest time and resources
- leadership implies going somewhere, so a leader must articulate a vision and set a direction. But just as important is the capacity to bring people together – to articulate a vision that people share.

The presence or lack of a history of collaboration in the territory can determine how quickly the partnership comes together. A society is "cohesive" if it can work towards the well-being of all its members, fight exclusion and marginalisation, create a sense of belonging, promote trust and offer its members the opportunity of upward social mobility (OECD, 2012). In the Polish case, given the region's horizontal fragmentation, partnership was a new concept. In contrast, the vast network of partnerships in Forlì-Cesena was the by-product of a well-established co-operation framework that enabled collaborative processes and partnerships to emerge naturally amongst local stakeholders. In Italy, collaboration and partnerships are clearly engrained, both for

setting policy and implementing programmes. Collaboration and working in partnership is clearly understood as the optimum way of shaping effective action.

In some instances, the collaborative environment has to be built from scratch. Before the G21 partnership was formed, informants described the environment of the Geelong region's local government as highly conflictual. The fact that the partnership was promoted by the city of Geelong, and that the city, as the dominant partner, agreed to an egalitarian representational scheme of "one voice, one vote" helped allay some fears. Similarly in Nuremberg, the one vote per member rule reduced the influence of the larger centres, and in principle, increased the influence of the rural core, since they outnumbered the urban membership. Insufficient experience of working together had undermined previous attempts at collaboration in the region. As a result, the decision was taken to focus on "softer" issues for co-operation, which encouraged a diverse group of actors to participate and helped build trust in an area with a history of conflict.

Finally, resistance to co-operation can sometimes come from the bottom. In Portugal, a hybrid example is presented. Many private associations operate in the territory, covering many aspects of socio-economic and cultural life. However, they tend to work in silos, and municipalities rarely engage in "horizontal" collaboration. Discussants reported that the "spirit of collaboration, the mentality of co-operation" is missing, and as one informant put it, "partnership" is seen as negatively associated with bureaucracy and paperwork. Thus, introducing the notion of partnership is perceived as "creating a new barrier" rather than as a strategic way forward.

Partnership structure

The study distinguishes three different designs that can shape the form of co-operation: "formal and institutionalised", "formal but not institutionalised" and "informal", all of which have varying degrees of capacity to ensure an integrated approach. According to Artmann et al. (2012), rural-urban partnerships can only be sustainable with a degree of organisational structure. The authors caution that no "best practice" can be mandated. The architecture of the structure will depend on the regional setting, but several forms are possible and it is up to the regions to choose (2012: 21).

A formal commitment by the actors involved to reach out across their respective responsibilities and interests and to co-operate on certain issues is an important step forward. The "formal and instutionalised" partnerships model has this feature, as well as a standing organisational structure. It implies the integration of activities formerly carried out individually. The *mancomunidades* in Spain are public-law corporations with their own budget and resources. Each *mancomunidad* must adopt its own statutes, regulate its organisation and define its activities (CDLR, 2007). In addition, administrative elements are in place (e.g. a board of directors) and working groups (forums, expert groups) that reflect the policy sectors set out in the strategic plans and facilitate the involvement of a large number of public and private sector actors. One example is the Community Council of Rennes Métropole, a large structure that includes a president, 25 vice-presidents, 5 delegated advisers and 80 delegates from the municipalities.

At the opposite end of the spectrum is the "informal" partnership model, which allows the members to decide to join together over different issues as necessary, in informal arrangements. Co-operation is carried out in loose networks that permit mutual consultation and co-ordination. No particular body is laid down, rules for co-operation are not well developed, and competences are limited. In the Czech Republic, most of the examples of partnership were the result of specific projects to address a specific need, or

bilateral negotiations between actors. For example, in Central Bohemia, the population of the village of Psáry has grown, from 1 400 in 1999 to 3 540 in 2011, and an additional 600 people use the services without being formally registered with the municipality. Demand for elementary schooling and social services has therefore grown, and the municipality does not have the authority or resources to develop new capacity. The region has chosen to channel its resources to other centres within Central Bohemia, such as Gladno. The municipality has sought to resolve these issues by negotiation and collaboration with other local municipalities, including some across the regional border.

An intermediate structure, for purposes of this study, is the "formal but not institutionalised" model, a hybrid with features of both formality and informality. It has all the characteristics of the first group except that it is not institutionalised and is less structured and looser. It has no independent structure, with staff or allocated resources. Only one partnership falls into this category, BrabantStad, in the Netherlands. This has a management structure, but its staff is spread across the partnership cities. The partnership lobbies collectively for resources, but the funds received are mainly divided internally between the members, rather than being used to act collectively. The BrabantStad is growing, and seeking to diversify the scope and resources of its portfolio. This, and the national government's focus on devolving new responsibilities to municipalities, raises important questions for the partnership. Can BrabantStad's structure deliver on this decentralisation, and what advantages does an institutionalised rural-urban partnership have over a non-institutionalised one?

Partnership scope

Partnerships can be single-purpose, providing a single service (see Table 4.3). For example, in Finland, developing the ICT network is the basis for one of the partnerships, a typical initiative between several municipalities at sub-regional level. They can also be multipurpose, operating with a wider territorial lens. These tended to be partnerships formed to co-ordinate economic development or spatial planning activities in the territory and covered large areas, grouping powerful actors. One important consideration for the partnerships is whether to adopt a territorial governance approach, where the partnership deals with a number of overlapping issues and frames an approach to the territory. Multiple-purpose bodies perform a wide range of functions, such as planning and co-ordination, and sometimes delivery of public services. The form of co-operation varies depending on the degree of administrative integration, as well as political linkages with representatives from local member governments.

The purposes of rural-urban partnerships are diverse. The BrabantStad partnership has five key development goals: strengthening economic development through knowledge, innovation and valorisation; developing high-quality facilities (culture, sport) to increase its international appeal; increasing its national and international accessibility; strengthening the spatial structure of the urban network and promoting the quality of the "Mosaïc Métropole". The policy initiatives of the Rennes Métropole partnership focus on territorial coherence through the regional co-ordination of local spatial planning regimes and transit management systems; social equity and class cohesion; ecological sustainability; cultural memory and identity formation, principally by protecting threatened farms and traditionally "iconic" landscapes; and, economic development. In the United States, the Bluegrass Alliance was established to jointly market and support economic development in Kentucky. The main objective is to market a larger region that can be seen to be a coherent unit and which provides a broader array of opportunities for inward investment. The Alliance also formed a lobbying entity, the Central Kentucky

Regional Public Policy Group, to collectively work for a joint agenda at the state and federal level.

Table 4.3. **Partnership scope: Single-purpose or multi-purpose**

	Economic development	Spatial planning	Service delivery (ICT, transport, health)	Environmental policy	Regional branding	Advocacy/ lobbying for funding
Rennes, France	x	x		x	x	
Geelong, Australia	x	x			x	x
Nuremberg, Germany	x		x	x	x	x
Central Zone, Poland	x		x			x
Brabant, Netherlands	x	x		x	x	x
Prague-Central Bohemia, Czech Republic	x	x	x			
Forlì-Cesena, Italy	x	x	x		x	
Extremadura, Spain			x			
Castelo Branco, Portugal	x					
Central Finland (Jyväskylä and Saarijärvi-Viitasaari)			x			
Lexington, Kentucky, United States	x		x			

Some partnerships have delegated functions (e.g. Rennes Métropole) or compulsory functions laid down in legislation (e.g. *mancomunidades* – service provision); others are the designated authority for a key issue (e.g. G21 "spatial planning") or simply have the scope to experiment with different issues based on local needs (see Table 4.4).

Table 4.4. **Partnership authority: Delegated functions**

	Delegated functions	
	Yes	No
Rennes, France	x	
Geelong, Australia		x
Nuremberg, Germany		x
Central Zone, Poland		x
Brabant, Netherlands		x
Prague-Central Bohemia, Czech Republic		x
Forlì-Cesena, Italy	x	
Extremadura, Spain	x	
Castelo Branco, Portugal		x
Central Finland (Jyväskylä and Saarijärvi-Viitasaari)		x
Lexington, Kentucky, US		x

Partnership membership mix

The partnership mix in a rural-urban collaboration is particularly important. The focus here is on the rural-urban element, which implies a commingling of different actors and offers a means to find ways to bring together policy streams (e.g. agriculture, rural

development, regional, environment, etc.) that are often separated. The case studies revealed that balancing the interests of rural and urban stakeholders on the goals of the partnership, and the representational mix (rural and urban), can be a challenge. A difference between the level of representation and the visibility of rural stakeholders emerged. In Nuremberg, the rural stakeholders are well represented in all spheres of the organisation. This is understood to be the mandatory design of the partnership structure and is strictly enforced. In contrast, in the BrabantStad, the rural stakeholders are less visible and the "voice" of rural municipalities is expressed through the province. Informants indicated that the rural actors do not need to be part of the core, because the issues and objectives undertaken by the partnership affect rural and urban areas alike.

The BrabantStad shows a healthy respect for the interdependence of rural and urban areas and the services they provide to each other. This is indicated by the decision to develop Brabant as a "distributed province", balancing ecology, social and economic aspects, as well as the decision to prevent urban development in the green space between Tilburg, Den Bosch and Breda and urban areas. The services they provide to each other could have resulted in a strong urban pole with a population of around 900 000. In addition, the need to manage water supply, prevent flooding and ensure irrigation of sandy soils and provide water-borne transport, has meant that the network has a prominent place in the region. However, rural issues are an important part of the focus of the partnership, leaving room for greater rural visibility in the network.

Factors that could help or hinder rural-urban partnerships

When rural-urban partnerships are effective, they can extend the reach of any single organisation or agency and support the broader territorial agenda. Of the 11 cases studied, it is difficult to make a mutually exclusive classification of positive and negative factors, since they often overlap and interact. While these variables do not represent a comprehensive list of all the factors involved, they can provide insight into what makes for more effective rural-urban partnerships. Several factors were observed that can increase or reduce their effectiveness.

Factors that facilitate rural-urban partnership

The effectiveness of rural-urban partnerships depends on a number of variables acknowledging the interdependence of urban and rural areas: clearly defined objectives, representational membership and leadership. If a solution is not mutually agreed upon, if an understanding of the various forms of interdependence is lacking, or if support from either urban or rural actors is insufficient, collaboration can be much more challenging.

An understanding of the interdependence of rural and urban areas. Acknowledging how the rural and urban areas are connected or interlinked in the territory is the core ingredient of a rural-urban partnership. Any initiatives and strategies should grow out of this understanding, and it will go a long way to reassuring both constituencies that the partnership is well balanced. Castle et al. (2011), in reviewing rural-urban spatial relations, noted that an economic system cannot be understood without reliable knowledge of both rural and urban elements. Tacoli (2000) insists that not only is it important to "recognise the centrality of urban-rural interdependence to both urban and rural livelihoods", but a "democratic dialogue to arrive at a negotiated set of strategies for nurturing and benefiting from this interdependence" is crucial. To co-operate effectively, mutual understanding should also be generated through common projects and goals.

The rural-urban partnerships provide the forum for such dialogue. Stakeholders shared common concerns and needed each other's engagement to tackle the issues identified. Although the approaches differ, several of the case studies (e.g. Nuremberg, the province of Forlì-Cesena, the BrabantStad and G21) demonstrate a strong understanding of the importance in rural-urban relations. In other cases, the need for rural-urban collaboration was less well understood. In Finland, the presumption appeared to be that urban-rural was not a meaningful basis for partnership, as compared with sectoral partnerships. Instead, in the Jyväskylä region, the linkage seems to be between informal networks, on the one hand, and formal regional-scale institutions, on the other (McKinney and Johnson, 2009). In this respect, the Jyväskylä region represents a rural-urban linkage based on bureaucratic rules (e.g. the Regional Council), while a more committed partnership only appears at the local level between the rural municipalities.

Mutual understanding of the need to act in concert to address a critical problem. It is important for both urban and rural actors to agree that working together is the appropriate solution. Mutual understanding leads to a shared vision for partnership. Rural-urban partnership is the response to the catalytic event, and a failure to act together will jeopardise the participants' ability to meet societal obligations and demands. In principle, the impact of the "catalytic event" in the functional space helps the actors appreciate the benefit of joining efforts to find a solution. In the Extremadura case, territorial development better balanced between urban and rural areas is seen as a crucial issue to address the challenges. In Nuremberg, stakeholders shared the understanding that "region building" could help combat the pressures of globalisation. Informants reported that Nuremberg was well placed to promote this initiative because the city saw itself as being joined with, not in opposition to, its surroundings.

What happens when mutual understanding of the shared benefit is lacking? The case of Prague/Central Bohemia illustrates this well. Prague and Central Bohemia show little inclination to collaborate, largely because mutual understanding of the need to collaborate is missing. This has resulted in urban sprawl; lack of comprehensive planning in the functional region; a shrinking number of green areas, thanks to patchwork-style planning and development; an increasing need for private transport and restriction in less favoured groups' access to services; increased traffic congestion and commuting time; an outmoded understanding of the concept of "rural", which is still understood as being linked to agriculture; and fragmentation of land use. While Central Bohemia may be convinced of the need to collaborate on a wider scale, Prague has not yet reached this understanding. In the Nuremberg example, one of the benefits that flowed to the city of Nuremberg was greater prominence and visibility. By collaborating with its hinterland and marketing itself as the metropolitan region of Nuremberg, the city scaled itself up to 3.5 million, placing it in a smaller, more exclusive group of European cities. However, Prague's main challenge is not visibility or scale, but space. The Prague region is both the Czech Republic's largest in terms of population and economic activity, and the smallest in terms of space. While Prague has some undeveloped land, it is increasingly difficult to assemble large parcels of land for new business and residential development. This is limiting economic growth, especially the opportunity for large firms to expand.

Clearly defined objectives. Rural-urban partnerships must have a clear purpose (e.g. economic competitiveness or improving the welfare of the region). This must be responsive to local needs and incorporate the needs of the rural and urban areas. Overlapping boundaries and areas of administrative jurisdiction can present challenges, where divergent interests are brought together for the first time. This can involve multiple objectives as in the case of Rennes, or a focused objective, as in Finland. The focus of

Rennes Métropole is on preserving agricultural space and reinforcing the links between urban citizens and agriculture. In Finland, the pilot funding offered for "Distant Services" seeks to provide services at a distance from the main office/service centre. One of 2 national pilot projects in Central Finland involves 12 municipalities. The aim is to establish a joint service office where users can access a range of services (police, employment, legal aid, social services, taxation) using video conferencing. This allows service providers to realise service efficiencies. In Geelong, by adopting a regional perspective and constructing strong supporting evidence, G-21 has successfully brought funding back into the region.

Table 4.5. **Five factors that facilitate rural-urban partnership: Overview from the case studies**

	Understanding of the interdependence of rural and urban areas	Mutual understanding of the need to act in concert	Clearly defined objectives	Representational membership and democratic participation	Leadership
Rennes, France	x	x	x	x	x
Geelong, Australia	x	x	x	x	x
Nuremberg, Germany	x	x	x	x	x
Central Zone, Poland	x	x			
Brabant, Netherlands	x	x	x	x	x
Prague-Central Bohemia, Czech Republic			x		
Forlì-Cesena, Italy	x	x	x	x	x
Extremadura, Spain			x	x	
Castelo Branco, Portugal			x	x	
Central Finland (Jyväskylä and Saarijärvi-Viitasaari)			x	x	
Lexington, Kentucky, United States			x	x	

Representational membership and democratic participation. Effective rural-urban partnerships need to involve the right decision makers, in order to reflect the interests of the territory. Partnerships are often formed from existing networks or in areas where there is a history of collaboration between potential partners (OECD, 2001). Where rural and urban stakeholders have no history of working together, actors may not typically work together and may have divergent interests. This can be simple or challenging based on the context. The Bluegrass Area Development District (ADD) in Lexington is governed by local elected officials representing each of the counties in the functional area. However, the board has no independent power base, and its members are oriented to the jurisdiction that elected them rather than to the region. Furthermore, the 17 counties are not evenly matched; 7 have a much higher degree of functional integration than the other 10. While all counties are relatively well connected with adjacent counties, the region as a whole is not strongly connected either by labour flows, infrastructure provision or transport. By contrast, the Community Council of Rennes Métropole is relatively large, and management is by consensus. Each month, the delegates meet in public sessions and deliberate on strategic orientations.

Leadership. Without strong leaders working collaboratively towards a common goal, the process of formation and advocacy can grind to a halt and piecemeal efforts can become the norm, as in the cases of Prague/Central Bohemia, Castelo Branco and Lexington. Leadership plays a significant role in influencing and reaching collective commitment within the partnership. Experiences across different countries show that leadership at the highest level is the most relevant factor for achieving co-ordination. In principle, this leadership should stand above all the agents involved and able to broker the cross-sector networks needed to improve the flow of information between the various functional authorities, or difficulties may be encountered in achieving commitment. One of the factors that distinguish the Rennes case from the others is the central role played by a locally confident and assertive public sector.

Table 4.6. **Four factors that hinder rural-urban partnership: Overview from the case studies**

	Regulatory and political barriers	Lack of trust/social capital	Lack of partnership, incentives to partner	Policies that widen the gap between rural and urban areas
Rennes, France				
Geelong, Australia				
Nuremberg, Germany				
Central Zone, Poland		x		
Brabant, Netherlands				
Prague-Central Bohemia, Czech Republic	x	x	x	
Forlì-Cesena, Italy				
Extremadura, Spain			x	x
Castelo Branco, Portugal		x		x
Central Finland (Jyväskylä and Saarijärvi-Viitasaari)				x
Lexington, Kentucky, United States	x	x	x	x

Factors that hinder rural-urban partnership

A failed partnership can have long-term consequences for the trust between the organisations involved and the prospect for working together. The case study analysis helps identify key factors, and finding solutions to such problems should be made a high priority. One factor worth noting that is not discussed below is a lack of private-sector participation. This is not necessarily a hindrance in itself, but can stall a partnership, especially when one of the goals of a partnership is economic development. Similarly, if partnerships need alternative funding sources, the private sector can provide financial support, but must participate in the partnership.

Regulatory and political barriers. The institutional framework can sometimes constrain rural-urban partnership, as in Prague/Central Bohemia. Similarly, if the regulatory framework is inflexible, with no mechanism or incentives for co-operation, this can undermine a rural-urban partnership even when there is interest, as in the case of the United States' rigid urban growth programme. A traditional institutional structure reluctant to share power in new forms for the design and implementation of public policies, and a lack of interest on the part of politicians and political parties, can also work against a partnership.

Lack of trust/social capital. A lack of social capital is important, but is more likely to slow rather than stall the emergence of a rural-urban partnership. In countries without a tradition of co-operation, particularly across rural and urban spaces, the partnership may not immediately produce good results because of the mistrust between the actors. However, as the findings from Germany and Australia illustrate, such initiatives can still be effective, as they create incentives for co-operation and favour building inter-institutional relations based on trust. In some cases, a rural-urban partnership may initially lack social capital to draw upon, complicating implementation, but this can change. The partnership-based policy may at first lack the social capital, but over time, it can create conditions conducive to its development.

Policies that increase, rather than reduce, the gap between rural and urban areas. Where the culture or policies of the partnership work against integrating rural and urban areas, this will do very little for rural-urban relationships. In Finland, the "Distance Services" partnership was stimulated by the national government's goal to invest in key infrastructure and create a high-speed glass-fibre broadband network in the country by the end of 2015, with no differentiation between urban and rural areas. In contrast, in Extremadura, the mandatory joint communities may well help peripheral rural municipalities, but will do little to encourage urban-rural relations in the territory if more is not done. At present, the two cities in Extremadura, Cáceres and Badajoz, have little incentive to integrate with the rest of the territory or with the municipalities outside these two cities. As a result, the policies in Extremadura are guided largely by the interest of these cities rather than the needs of the territory as a whole. Without a territorial and integrated vision, rural regions may view the urban areas as competitors rather than as partners.

Low incentive to collaborate/lack of buy-in. Much of the work of the partnership members involves making a small financial investment or incentive to attract private and non-agency commitments and resources. The Nuremberg partnership has achieved high levels of activity with limited resources, but recognises that it is limited by subsidy-oriented finances. The incentive framework for co-operation set by higher levels of governments is extremely important. For instance, fiscal and financial incentives largely explain the success of the French policy for urban and agglomeration communities. Other countries, such as Switzerland, are considering introducing such mechanisms in their policy to promote horizontal collaboration in metropolitan areas. In Rennes, national financial incentives for municipal co-operation are provided, and the partnership collects and redistributes local municipal contributions as necessary, whether in terms of affordable housing, transport infrastructure or economic development.

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Chapter 5

Creating a governance framework for rural-urban partnerships

National urban and rural policies rarely contemplate any interaction between urban and rural territories. Governments are now tasked with increasing efforts to identify new governance forms suitable to these varied geographical contexts and the new institutional challenges that emerge. Rural-urban partnerships have emerged as a key co-ordinating mechanism for functional rural-urban areas. This chapter examines their impact on policy co-ordination and policy coherence and sets out a rural-urban governance framework.

Governments are increasing their efforts to identify new forms of governance suitable to varied geographical contexts and the institutional challenges that emerge. There are some hurdles. First, national urban and rural policies rarely contemplate any interaction between urban and rural territory. Strategies need to take into account the cascading effects of policy decisions that link rural and urban regions, because of the evolving economic and social connections (OECD, 2009). Second, policies are often confined to administrative spaces that are not necessarily suited to functional relationships. Third, a lack of understanding persists about the growth potential of rural regions. For a while, national governments in OECD countries contrasted "rich urban regions" with "lagging rural regions". In analysing the place of the medium-sized city regions in relation to a large metropolis, OECD (2006b) noted both "a perception of a peripheral, less important role" for small/medium-sized cities and disconnected policy arrangements that often fail to reflect the character and diversity of the region, particularly when rural areas are included (Box 5.1). Finally, the structures of governance in place in many metropolitan and rural areas are not always well adapted to the tasks they face (OECD, 2006a; 2006c).

Box 5.1. **Leeds City Region: Lack of effective mobilisation of all key stakeholders**

The functional area defined as the Leeds City Region (LCR) is the economic heart of the Yorkshire and Humberside region and includes all or part of ten local authority areas (Leeds, Bradford, Calderdale, Kirklees, Wakefield, Selby, York, Barnsley, Harrogate and Craven). These areas are administered by 11 local authorities: the district and unitary councils responsible for these areas, plus North Yorkshire County Council. A recent review by the OECD of the promoters and detractors of growth classified this region as one with potential for catching up, growing below the national average. However, the study identified the "lack of effective mobilisation of all key stakeholders" as an important barrier to growth in the region. It went on to explain that the region's ability to pull everybody together is affected by its polycentricity, geographical dispersion and institutional complexity, with a large number of unitary and district authorities covered by the LCR territory. These factors have made it harder to generate effective communication, strong co-ordination and a common sense of purpose. The recently published Local Enterprise Partnership Leeds (LEP) plan aims to address these bottlenecks by aiming to improve co-ordination and align priorities, but it will require strong focus to secure delivery. However, the relatively new strategies and structures, including the new public-private LEP, mean that the LCR has some way to go towards achieving its full potential.

Source: OECD (2011), *OECD Rural Policy Reviews: England, United Kingdom* 2011, OECD Publishing, http://dx.doi.org/10.1787/9789264094444-en.

Integrated development strategies are the ultimate policy aim, to enhance synergies between the urban and rural functions within a region. When policy messages are mixed, finding appropriate responses becomes a challenge. Fundamental questions arise over how public goods and services can be provided in a cost-effective way to support development, and how to pursue development in such a way that the social and ecological benefits of rural regions are not destroyed by efforts to generate economic opportunities. Rural-urban partnerships have emerged as an important co-ordinating mechanism for functional rural-urban areas. The case studies show that effective rural-urban partnership can help overcome fiscal challenges by building scale and strong horizontal co-operation

at the local level. However, the ambivalence of some politicians and administrative leaders towards rural-urban partnerships reveal a lack of shared understanding about the role such partnerships can play in development.

Box 5.2. **The paradox: Rural-urban partnership as a governance model**

Partnership as a governance tool is well understood. OECD (2001) notes that partnerships are a central technique in opening up governance, but that the concept can be ambiguous and must be defined clearly (2001: 55). Günter (2011) suggests that the term partnership can express many different meanings and values, and a structure that can be governed by a range of different instruments (Günter, 2011: 16). Bache (2010) adds that "the political devil is very much in the detail of which actors are brought together, under what circumstances and for what purposes" (2010: 72).

In contrast. *rural-urban partnerships* are less well known. A 2010 study by the network of European Metropolitan Regions and Areas (METREX) provides some clarification. It refers to them as a "new approach to cohesion politics" because they seek to cultivate greater rural-urban relationships by creating "new and possibly lasting networks of co-operation". In this special inter-municipal organism can be found "rural partners who have joined forces with metropolitan partners" to develop and implement projects that help the "extended region better cope with current and future challenges" (Kelling, 2011), A distinguishing factor, according to Kellin , is that partnerships can be created over a greater geographical distance, beyond the neighbouring areas. The study, by Artmann et al. (2012) adds that rural-urban partnerships aim for balanced development by bringing "economically strong and weak places together" in an urban-rural construct. Another difference is the emphasis on an integrated, not sectoral, approach requiring co-operation across administrative boundaries. This can make it a more cumbersome instrument, especially when the value added of working in this medium is not yet well established (2011: 6).

The definition of rural-urban partnership in this report goes a step beyond the one offered by Artmann et al. This is deliberate, as the intent is to make it more concrete. In that study, minimum criteria are set out: rural-urban partnerships should be "voluntary", "long-termed (sustainable)", "on the same eye level" and "mutually beneficial for all partners" (Artmann et al., 2012: 19). All these aspects are indeed relevant and discussed here. However, in going further, we sought to build on the study's other observation that rural-urban partnerships are a "*special*" kind of inter-municipal co-operation, because they bring together different types of municipalities – rural, suburban and urban areas (2012: 23). What distinguishes this definition of rural-urban partnership is the emphasis on the rural-urban aspects of the partnership, which can be simple or challenging to create, depending on the context. While inter-municipal co-operation is not specifically a rural or an urban phenomenon, the difference between the areas can be significant. The case studies reveal that in some instances, the rural-urban element adds a level of complexity.

The nomenclature "rural-urban partnership" applies to functional rural-urban areas of any size. Indeed, the size of the geographical territory covered by partnerships in this study varies widely. It includes the large metropolitan region of Prague-Central Bohemia, covering the territory of the largest administrative unit in the country, and a sparsely populated remote area, with a market town as the closest central hub, in the Jyväskylä and Saarijärvi-Viitasaari region in Central Finland. In the middle are the small to medium-size cities, such as Geelong in Australia.

Source: Günter, S. (2011), "Multi-level urban governance or the art of working together", European Urban Knowledge Network, EUKN The Netherlands; OECD (2001), *Cities and Regions in the New Learning Economy*, OECD Publishing, http://dx.doi.org/10.1787/9789264189713-en; Bache, Ian (2010), "Partnership as an EU policy instrument: A political history", *West European Politics*, Vol. 33, No. 1, pp. 58-74; Artmann J., C. Huttenloher, R. Kawka and J. Scholze (2012), *Partnerships for Sustainable Rural-Urban Development: Existing Evidences*, Federal Institute for Research and Building, Urban Affairs and Spatial Development, Bonn, Germany.

The previous chapters analysed the different rural-urban interactions and the benefits and challenges of adopting a functional approach. This chapter presents a rural-urban governance framework with 4 models from the 11 case studies. Analysis of the case studies did not reveal any "one size fits all" approach to governance. If anything, the wide range of issues, areas and countries covered removed any notion that such an approach could exist. Instead, the framework provides an overall picture of the scope of factors that should be considered within a given rural-urban context. The chapter proceeds as follows: in the first section, the fundamentals of the rural-urban governance framework are set out, along with what it revealed about each partnership. The aim is to illustrate what seems to be working; the governance challenges, and highlights some important lessons from each case study. The second section tackles the "mechanics" of the framework – how is it useful – and the importance of investing in time to build a rural-urban partnership. The third section looks at how to target support to rural-urban partnerships and some advantages and disadvantages inherent in each model, because the instruments needed to support the rural-urban partnership will differ along these lines. The final section looks at rural-urban partnerships in action by taking a key challenge for many countries' policy co-ordination failures and illustrating how rural-urban partnerships can help.

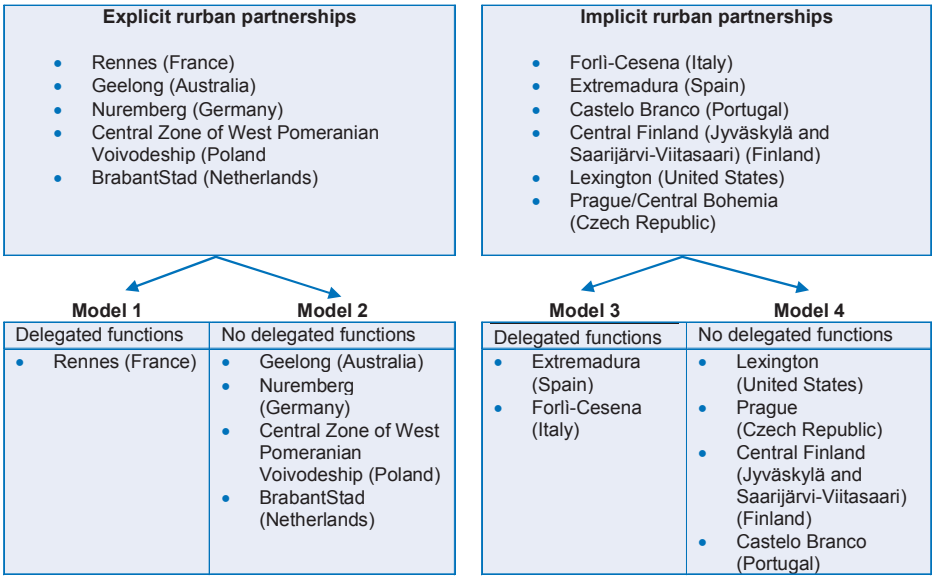
Rural-urban governance framework derived from the case studies

Although the rural-urban partnerships in this study vary widely, with different systems of governance, they share some common elements. Four different ways to approach rural-urban collaborations emerged. Each reflects the specific institutional and cultural context of the country. This framework divides the partnerships observed into an admittedly simplified schema, to tease out key aspects that can guide policy development and support. The first level is the partnership type. The categories explicit and implicit are used to highlight an important distinction between the 11 rural-urban partnerships analysed. The "explicit" rural-urban partnerships (five in total), deliberately set out to cultivate a rural-urban partnership or manage rural-urban relationships. This "intent" is reflected in the objectives of the partnership agreement. This rural-urban dimension is a core aspect for the partnership that is deliberately pursued, either through the issues identified, initiatives realised and/or stakeholder involvement. In contrast, the "implicit" group (six cases) shows no such overt objective. In these cases, the collaboration that emerged was driven by other local development objectives mandating the involvement of urban and rural areas. The second layer sub-divides the two groups further, based on the partnerships' delegated authority. Delegation of authority means division of authority and powers downwards. This means the partnerships have some semblance of recognition, such that they have been entrusted with the responsibility to act. This provides clues to the level or recognition (by other levels of government), its ability to realise objectives (implementation tools) and financial acumen.

Explicit rural-urban partnership approach with delegated functions

The first model is an explicit rural-urban partnership with delegated functions. There is only one case-study region in this category, in the French *Communautés d'agglomération*, the inter-communal structure of Rennes Métropole (Figure 5.1). Classified by the OECD as a metropolitan area, Rennes Métropole is also an example of a relatively "hard" metropolitan governance model, a functional model whose governance structure is reshaped to fit or approximate the functional economic area of the metropolitan region (OECD, 2006a; 2013b). This partnership offers important points to consider.

Figure 5.1. **Rural-urban governance framework**



Notes: An explicit rural-urban partnership's explicit aim, evidenced by its mandate or strategic objectives, is to foster a rural-urban partnership or strengthen rural-urban relationships in a given region. The implicit rural-urban partnership lacks an explicit objective for a partnership. The focus is on improving co-operation through a common local development objective, strategy or project. However, the member authorities represent urban and rural areas.

Undoubtedly, this rural-urban governance model is appealing. After all, it is a recognised governance tier whose functional relationships align quite well with the administrative boundaries. The Rennes case illustrates a partnership that enjoys a stable source of financing derived from its own revenue source and strong implementation tools (the *Schéma de cohérence territoriale*, or SCoT). This allows it to directly manage rural and urban issues and present a unified voice on behalf of the region. It is able to effectively incorporate and then work with smaller peri-rural municipalities towards the realisation of an overall vision for Rennes. The partnership is also able to take advantage of its large organisational structure and stakeholders. Nonetheless, there can be some drawbacks, such as less local autonomy (Table 5.1). For example, in the Rennes case, the municipalities agree upon joining to cede certain powers, which they are no longer authorised to exercise. This can be significant for some local authorities. The Rennes case offers a few other points regarding rural-urban partnership, which are set out below.

First, for the rural-urban partnerships to work, metropolitan regions must fully integrate their rural areas into a unified strategy. If the government of the functional area is willing to see rural areas play a larger role, a meaningful partnership can offer better development opportunities for rural areas. Densely populated urban areas or regions with many municipalities close to big cities present different issues and opportunities for co-ordination than sparsely populated rural areas (OECD, 2009). Fifty-five per cent of the area covered by Rennes Métropole is dedicated to agriculture (62 000 hectares with 1 300 farms). Its strategic approach also has to tackle the challenges that flow from two clearly different types of urban and rural areas. The planning instrument, the SCoT (*Schéma de cohérence territoriale*), allows for the integration of important features of rural areas. If rural residents, firms and places are to contribute fully in the functional

areas, it is important to identify ways that rural economies can experience the sort of productivity increases seen in cities. Through its "urban archipelago" approach, the plan aims to preserve rural land from urban pressure, while facilitating small-scale farming activities for the production of public goods (landscape, quality of life) and niche consumption products. Box 5.3 provides an overview of other metropolitan regions managing the relationship between city and rural areas.

Table 5.1. **Model 1: Explicit rural-urban partnership with delegated functions**

Model 1		Key features from the case study
Explicit rural-urban partnership with delegated functions		
Advantages	Disadvantages	
Can directly manage rural and urban issues	Threat to local autonomy	Connects a large metropolitan region to its rural, largely agricultural, hinterland.
Has a unified voice, and can speak on behalf of the region	Less citizen engagement	Adopts a detailed spatial planning approach to connect the territories.
Co-ordination of service delivery	Less private-sector engagement	Boasts a strong governance structure that is well integrated horizontally but less connected to the regional layer.
More local influence with national/regional policy makers		Gives careful thought to how to manage the urban-rural interface.
Unified rural-urban action		
Greater access to resources		
More implementation mechanisms		
More organisational support		

Second, adding rural territory to an urban government structure requires adjustments in how that government operates. For partnerships to contribute to policy development, they need to have a strong influence on multi-level and cross-sectoral collaboration. They also need a receptive attitude on the part of policy makers in regional, national and supranational government institutions. In Rennes, while agriculture partners are part of the partnership, co-ordinating the actions of agricultural activities and representing the bodies can be a challenge, partly because farmers have other channels or are used to dealing directly with other entities, e.g. the EU. This reduces the possibility of linking agriculture to other key sectors and maximising the potential of the structure for rural-urban links.

Third, rural-urban partnerships must consider the flexibility (in terms of partners and strategies) of the structures they put in place. The partnership has a detailed strategic approach to spatial planning, but the instrument leaves little scope for expansion. At present, Rennes Métropole encompasses 36 municipalities and is home to 400 000 inhabitants. In 2010, the partnership's area of influence included 190 municipalities and 675 000 inhabitants of less well-developed, largely rural areas and were less focused on agriculture. This, of course, begs the question of what happens to those rural areas outside the boundaries of the identified regions.

Box 5.3. **Metropolitan regions and the rural hinterland: Managing the linkages**

Greater Manchester is an amalgamation of central Manchester and surrounding boroughs. While Manchester is a major urban centre, it also has a considerable rural territory and represents one of the more advanced efforts to integrate urban and rural territories in England. Its status as one of two pilot city regions allows Manchester a greater autonomy in its use of national and local funds and a greater ability to develop its own local development strategy. The local government recognises the importance of managing the region in a way that takes advantage of its rural area, rather than simply seeing it as a land reserve for future urban needs. Manchester participates in an EU programme, PLUREL, that is developing a spatial strategy for peri-urban areas. The rural areas of Manchester experience two-way commuting, providing an important leisure and tourism resource, and retaining a significant agricultural sector. Manchester is also exploring ways to invest in rural areas, especially peat bogs, as a carbon sequestration strategy. Restoring peat bogs may allow the city-region to meet its climate-change targets in the most cost-effective way.

The land development project **Plateau van Moorsel** is located between Brussels and the city of Leuven (25 kilometres east of Brussels). The region is characterised by badly connected small clusters of open space. Woluweveld is a 130-hectare agricultural area around Brussels enclosed by large roads, a railway, residential areas and business locations. The project reinforces connectivity and the resilience of a network of open spaces in the (Flemish) peri-urban area around Brussels, including a link from Brussels to the airport and different bus and tram lines. It can also become a part of a water storage master plan to function as an important green-blue network. Since Plateau van Moorsel is located in a growing business area, it will need good infrastructure for transport and water storage and natural and cultural amenities. Meanwhile, Toyota Motors Europe is investing in the development of a green bicycle path to connect two different business locations. Through this project, the Flemish Land Agency is trying to bring together the different stakeholders to develop an integrated multifunctional land development plan for the area.

In the framework of its regional development plan, which establishes the main policy goals for sustainable development until 2020, the **Regional Council of the Nord-Pas de Calais** region has experimented with the use of country planning and development tools. This has resulted in two Planning Regional Directives: Peri-Urban Sprawl Control and the Blue and Green Belt, a general guidance plan set up as a support framework for local plans currently under development. Each plan depends on a cross-cutting and multi-partner effort engaging regional entities (cities, general councils, regional council and state departments at the regional scale) and their partners. The goal is to address the region's vulnerability in the scarcity of natural spaces and the continuing process of peri-urban sprawl, which has a negative impact on agricultural and natural spaces and represents a high cost for society.

The **region of South Moravia** has implemented the South Moravian Integrated Public Transport System (IDS JMK), which connects all the existing transport modes in the South Moravian Region (673 towns and villages) as well as in its capital city of Brno and some towns in neighbouring regions. The transport system started operating in 2004 and is used by the majority of the population in the region. It is a cost-effective option for local people, since ticket prices are the same for travelling across the areas the system includes. Overall, this project promotes better social cohesion and traffic conditions. Another initiative in the region is the River Svratka cleaning project, which started in 2003 and includes the regions of South Moravia, Pardubice, Vysočina and the Morava river basin. Its goal is to improve the water quality of the Svratka river and the water reservoirs of Vír and Brno, which are in peri-urban area. Other goals include providing clean drinking water from the Vír reservoir; and use of the area for leisure, education and tourism.

Box 5.3. **Metropolitan regions and the rural hinterland: Managing the linkages** (*cont.*)

In the **Rhône-Alpes** region in France, agriculture is facing a decline in land and competition with other space users. However, proximity to the city enables farms to develop local marketing methods, which create added value and a multifunctional space. For example, urban dwellers can now pick and buy fruits and vegetables directly from the farm. Farms also host school groups for educational programmes. Farmers can also sign contracts with local authorities or associations to maintain open space with ecological value.

Source: OECD (2011), *OECD Rural Policy Reviews: England, United Kingdom 2011, OECD Publishing,* http://dx.doi.org/10.1787/9789264094444-en, PURPLE (2012), Topic Papers on Peri-Urban Issues, "Peri-urban open space: How multi-functional land use can bring multiple benefits", available at www.purple-eu.org/home/publications/topic-papers-on-peri-urban-issues/peri-urban-open-space-how-multi-functional-land-use-can-bring-multiple-benefits.

Explicit rural-urban partnership approach without delegated functions

The second model is an explicit rural-urban partnership without delegated functions. This rural-urban governance model differs from the first in one key respect, underscoring a crucial point about functional regions in this report. In many instances, the functional relations do not correspond with the administrative boundaries and may even bridge more than one boundary. The first governance approach is not well suited to such cases, especially when a number of administrative boundaries are involved, seeking to tackle multiple functions (e.g. economic development, housing, regional branding, tourism, lobbying, etc.). This, the case studies reveal, calls for a "looser" rural-urban governance approach made up of partnerships that reflect "minimal" government restructuring. These entities are a step down from the creation of a new layer of government (Rennes) but a step up from *ad hoc* arrangements, as there are partnership structures in place with the responsibility of managing the different relationships and projects proposed. Four case-study regions fall into this category: Nuremberg Metropolitan Region (NMR) in Germany; the BrabantStad network in the Netherlands; the Central Zone of the West Pomeranian Voivodeship in Poland; and the G21 Alliance in Australia (Table 5.2).

This model offers more flexibility to structure a rural-urban partnership. It shares some characteristics with the first, with the potential to directly manage rural and urban issues, speak with one voice and manage a wide range of functions. However, it can go a step further, as it offers wider scope to involve a large spectrum of actors: citizens, academia and the business community. Crucial drawbacks include less stable financial resources and fewer implementation mechanisms. Each partnership tells a different story about rural-urban partnerships, as noted below.

First, it is important to take steps to build trust and strengthen connections. This is particularly true where no tradition of co-operation between urban and rural actors exists and rural members fear being dominated by urban members. The strategic decision by the Nuremberg partnership to focus on "win-win" issues for co-operation and to introduce an inclusive "one person, one vote" system served a threefold purpose. It allowed all the actors in the region to join the partnership because no sensitive or controversial issue or priority was on the agenda. It also ensured that there was no overlap between state and municipal responsibilities, which could arouse contestation (such as spatial planning or service provision). The Bavarian state was initially opposed to designation of the

Metropolitan Region of Nuremberg, perceiving it as a rival to Munich. This attitude is said to have changed after it became obvious that the Metropolitan Region is not seeking to work around state structures, and has real value in terms of external recognition and internal networks. Finally, it sought through the decision-making system to overcome the fears that the dominant partner (urban cities) would subordinate the rural areas. A similar voting system is in place in the Geelong case, giving each municipality an equal vote, no matter what its contribution. Due to its size and resources, the city of Greater Geelong provides the bulk of the funding for the partnership, and this can be a source of tension.

Table 5.2. **Model 2: Explicit rural-urban partnership without delegated functions**

Model 2		Key features from the case studies
Explicit rural-urban partnership without delegated functions		
Advantages	Disadvantages	
Can directly manage rural and urban issues	Fewer resources	Flexible governance structures
Can manage a wide range of functions	Less implementation instruments	High capacity to engage a diversity of sectors vertically and horizontally
In sync with national policy initiatives	More dependent on volunteers	Strong understanding of rural and urban interdependence – a balanced approach to rural and urban issues
Has a unified voice – can speak on behalf of the region	Dominant versus subordinate relationship	Mix of top down and bottom-up initiatives to stimulate rural-urban partnership
More local influence with national/regional policy makers		Different approach to determining the "right" scale to foster a rural-urban partnership and matching the scale of governance with issues of functionality
Can improve accessibility to national and regional funds.		Targeted efforts to build trust and strengthen connections between urban and rural stakeholders
Inclusiveness: urban and rural local authorities are involved		The level of visibility of "rural" members in a rural-urban partnership is an important consideration and raises notions about "direct" or "indirect" rural representation.
More scope for citizen, university and private-sector participation		
Can create forums for action and debate on policy initiatives, e.g. forums, working groups		

Second, rural-urban partnerships may have to be political, both horizontally to mobilise resources and support for issues, and vertically, with intermediate and national government, to seek key financial resources. This is not without challenges. Fulfilling the role of an economic lobbying group means that they may be in sync with national-level policy initiatives, but that can sometimes force them out of sync with local needs. Much of the work of the partnership members involves turning a very small financial investment or incentive into an attractor of private and non-agency commitments and resources. The resources for the partnership generally consist of contributions from grants by the member authorities, from state and other sub-national authorities, national government, the EU or the private sector. The viability of the G21 partnership is linked to the continued perception that it is a key entity, a "one-stop shop" for any conversation about the region. This means it has to work diligently to stay politically relevant at every level of government. This political effort sometimes makes it difficult to connect with the business sector. To access the funds, G21 has to work with policies, projects and action set by other institutions and implemented by local governments. However, some projects, programmes and initiatives may have a limited impact on the region's development and may not improve regional cohesion and functionality.

Third, a different approach to determining the appropriate scale for a rural-urban partnership and matching the scale of governance with issues of functionality can be considered. In principle, the main consideration for designation as a functional area should be that the areas concerned connect with each other through the daily commuting systems and through the relevant levels of intervention in many policy areas. In the Polish example, common economic and service delivery challenges clearly exist for the areas within the Central Zone, but the functions that link the towns and rural areas were less clear. Informants indicated that it was designated as a territory because it can be accessed from nearby areas within 30 minutes. The partnership is less about a "function" and more about making a cluster of towns functional, or at least finding ways to make the towns more multi-functional. This is not without value; collaboration between the authorities and agencies working within the Central Zone will probably help them address a number of pressing issues and take advantage of opportunities more effectively. Persistent unemployment and lack of connectivity even to the regional core city (Szczecin) and other urban centres need to be addressed. Due to the small size of the cities and towns, they are not able to lobby at the regional or national level, and a partnership body could better position them in this effort.

Fourth, the level of visibility of rural members in a rural-urban partnership is an important consideration and raises notions about direct or indirect rural representation. In the BrabantStad, the rural municipalities are less visible. Informants indicated that the rural actors do not need to be part of the core, because the issues and objectives undertaken by the partnership affect rural and urban areas alike. The Nuremberg partnership utilises a sort of informal rural and urban proofing approach to ensure equilibrium between the rural and urban local authorities. For example, the Central Office makes sure that the three-person leadership of the expert forums, the bodies that determine which initiatives should be developed in the region, is always balanced with a representative from Middle Franconia, Lower Franconia and the Upper Palatinate respectively. The Office of the Presidency respects this configuration as well. The position of president is taken by the city of Nuremberg, and the two vice presidents represent rural areas. Finally, all the projects are identified and discussed in the forums. The Central Office facilitates interactions between the different forums by acting as the "linking agent". This helps to keep focus on the potential impact on or possibilities for the "rural and urban areas" in any projects that are proposed. In one case, the office linked two offices involved in new initiatives related to energy, one from the northern part of the region and the other from Nuremberg, through the forum.

Implicit rural-urban partnership approach with delegated functions

The third model is a much more organic approach to rural-urban partnership. The explicit aim is not to set up a partnership to build a bridge between urban and rural areas, but to manage certain issues, many of which connect rural to urban areas. One important point revealed by this model is that where the focus on rural-urban elements is less visible, a higher comprehension of the specificities (the differences and the needs) of the rural and urban areas in the territory may be warranted (Table 5.3). There are two case-study regions in this category; the province of Forlì-Cesena, Italy, which falls within the small and medium cities category, and Extremadura, Spain, which is predominantly rural. This model illustrates the challenges faced by a governance tier trying to manage existing partnerships or induce partnerships between local authorities in a functional space. It provides a snapshot for local government looking to manage "implicit" rural-

urban partnerships in the territory. The two case studies differ in many respects, but nonetheless provide some important points for consideration.

Table 5.3. **Model 3: Implicit rural-urban partnership with delegated functions**

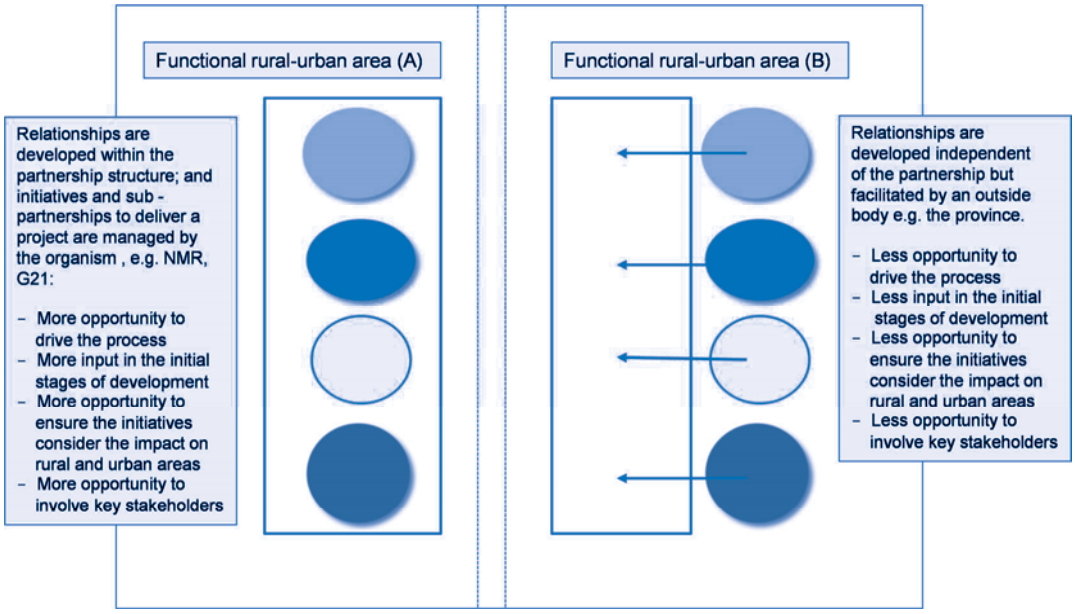
Model 3		Key features from the case studies
Implicit rural-urban partnership with delegated functions		
Advantages	Disadvantages	
Facilitates bottom-up process of rural-urban collaboration	Fewer resources	"Soft" or "hard" encouragement by a governance level may be needed to steer rural-urban partnerships.
Can promote a territorial approach on rural-urban issues in all initiatives	More complex management framework	Overseeing a complex mix of largely bottom-up rural-urban partnerships cultivated outside the partnership structure can be challenging.
Preserves local autonomy	Needs legitimacy: recognition from the bottom	Sometimes policies meant to foster development and collaboration can inadvertently widen rather than reduce the gap between urban and rural areas.
Can support multiple single-purpose rural-urban initiatives	Needs good evidence of rural-urban issues	Certain circumstances (e.g. clear tensions between rural and urban towns, the size of the towns and the distance) help determine when there should be an explicit rather than implicit approach to rural-urban partnership.
Can be the forum to bring key rural and urban stakeholders together	More opportunities for sectoral vs. integrated strategies	

First, depending on the circumstances, either "soft" or "hard" encouragement by a governance level may be needed to steer rural-urban partnerships. The case of Forlì offers a scenario with a high level of decentralisation (regional ministry to province); strong horizontal and vertical co-operations (between the regional ministry and the province); a high degree of collaboration (with multiple partnerships, largely bottom-up); and a geographical area with small towns that are well connected to their rural areas. The partnership role played by the provincial government is a much "softer" one. It facilitates and co-ordinates, guiding the rural-urban relationships in the territory. The case of Extremadura presents an opposite set of circumstances: fewer empowered local authorities; a geographical area that is less fluid, with a clearer divide between rural cities and rural areas; a strong history of bottom-up collaborations; and underperforming and rural towns. The mandate for stronger municipalities to collaborate with weaker communities and form "joint communities" under the instructions of the autonomous region is a "harder" approach.

Second, overseeing a complex mix of largely bottom-up rural-urban partnerships cultivated outside the partnership structure can be challenging. The province in Forlì-Cesena is guiding a multitude of single and multiple-purpose partnerships, from "urban-rural" and "urban-rural-remote rural" (mountainous areas). This puts the province in a co-ordinating and facilitating role on par with the NMR, BrabantStad, G21 and Rennes Métropole partnerships. The key difference is whereas in those partnerships, the expert forums, working groups, etc., are within the structure, in Forlì-Cesena, the partnerships are outside the structure (Figure 5.2). However, the sheer number and scale of the partnerships could overwhelm the financial and physical capacity of the province. The agro-industry partnership involves both urban and rural areas. It includes thousands of farms with a production value of about EUR 600 million, and up to EUR 8.5 billion and EUR 1.5 billion in total turnover generated by related industries such as logistics, packaging and transport, and technology. Different organisms are in place to manage the

tourism products and facilitate interactions between the different stakeholders. More importantly, the relationships are built outside the province, leaving less scope to ensure that certain members are included in different arrangements and that partnerships are in line with the overarching territorial vision. The province has less room to drive the process and provide input in the initial stages of partnership development or to ensure that the initiatives consider the impact on rural and urban areas.

Figure 5.2. **Managing relationships and initiatives cultivated inside vs. outside the partnership**



Third, sometimes policies meant to foster development and collaboration can inadvertently widen rather than shrink the gap between urban and rural areas. In Extremadura, despite the number of functional relationships between urban and rural areas – e.g. in terms of labour market and consumption – there does not seem to be any dialogue between institutions. Territorial co-operation is developed and encouraged by a set of incentives from the European Union (e.g. the LEADER programme), from the national level (e.g. PRODER programme) and from the regional level by the joint community initiatives (*mancomunidades integrales*). However, because the policies exclude cities from co-operation mechanisms, they in effect promote more rural-rural or urban-urban collaboration than rural-urban partnerships. The LEADER and PRODER programmes are both specific to rural development policy. The *mancomunidades integrales* were introduced to strengthen weaker rural municipalities by mandating that stronger municipalities partner with them. The premise has merit, but it excludes the four largest cities in Extremadura. These instruments, while fostering co-operation on a wider scale, particularly among more rural and peripheral areas, do little to promote institutional dialogue between cities and rural areas. Thus, it is important to work on the basis of sound local knowledge and expertise, using local data and indicators.

Fourth, certain circumstances (specifically, the existence of clear tensions between rural and urban towns, the size of the towns and the distance) help determine when there should be an explicit versus implicit approach to rural-urban partnership. Rural-urban issues do not appear to be a key driver for partnership in the Forlì-Cesena and Extremadura examples. In Forlì-Cesena, this makes sense because the Emilia-Romagna

region, a multitude of smaller towns and cities with close connections to their rural hinterlands, enjoys an embedded commitment on the part of public administrations to maintain and strengthen the territorial economy. This makes it is easier for partnerships to cover both rural and urban constituencies. The agricultural supply chain initiative extends from rural growers to the packaging companies based in the urban areas. In Extremadura, the circumstances are very different, requiring a more overt approach to facilitating rural-urban partnership. For example, some tensions exist between large cities (e.g. Cáceres, Badajoz) and smaller ones. Rural areas seem to work better with small towns; the greater the distance between urban and rural areas, the weaker the working relationship. The smaller rural regions view the urban areas as competitors, poles of concentration that develop at the expense of peripheral areas. Correspondingly, partnerships with larger centres are weak.

Implicit rural-urban partnership without delegated functions

The fourth model is a softer, non-binding approach where co-operation is more bottom-up, occurs on an *ad hoc* basis and acts as a co-ordination mechanism for policy decisions. Four case-study regions fall into this category: Lexington, Kentucky, in the United States; Prague and the Central Bohemia region in the Czech Republic; the Jyväskylä-Saarijärvi region in Central Finland; and the Castelo Branco region in Portugal. This is also a diverse group; Prague-Central Bohemia represents the metropolitan governance relationship, while Lexington is in the small/medium-sized cities category. The Central Finland and Castel Branco regions are both sparsely populated rural areas with a market town centre.

This model distinguishes itself by being the most basic form from which to engage in any type of rural-urban relationship. Co-ordination agreements for different purposes can have different administrative borders adapted to the specific characteristics of the activity or service provided: the borders for an agreement dealing with transport infrastructure can differ from those of units working with waste matters. These solutions seem to work for single purposes but would not be adequate to address structural territorial/organisational failures. This model illustrates the effect of the obstacles to partnership. A key principle here is where there are barriers in place limiting engagement in a more robust rural-urban alliance, e.g. low interest in partnership with urban areas (Jyväskylä-Saarijärvi region); low interest in partnering with rural areas (Prague/Central Bohemia; policies working against rural-urban partnership (Lexington); and partnership and institution fatigue, Castelo Branco). This model represents a crucial starting point. It facilitates the building phase, if one is needed, for trust and shaping the institutional and culture of the territory for more nuanced relationships. However, it has important drawbacks. There is less scope to ensure that the *ad hoc* initiatives are linked to regional, rural and urban strategies (Table 5.4). Operating outside the institutional structure increases the risk of being ignored or going unsupported.

First, an environment hostile to rural-urban partnership will limit the scope of action even where the need to collaborate is acknowledged by rural and urban areas. Although two rural-urban partnerships form the core of the analysis in Lexington, the institutional framework complicates any effort other than bilateral, single-purpose contractual arrangements. Counties are the basic unit of government and are required to generate a considerable portion of their revenue from a small number of taxes. The requirement is that this tax base covers only activity that occurs within the county. In turn, this encourages efforts to attract growth to each county, because the tax benefits from growth elsewhere cannot be captured. The local tax system thus stimulates competition over

co-operation among local authorities for economic development and adds to the counties' existing rivalries, making co-operation and partnerships more difficult (Box 5.4). Further, the autonomy of counties and perceived benefits of capturing all the tax revenue led to independent action and even intense competition in attracting new development.

Table 5.4. **Model 4: Implicit rural-urban partnership without delegated functions**

Model 4		Key features from the case studies
Implicit rural-urban partnership without delegated functions		
Advantages	Disadvantages	
Maintains local autonomy	Fewer resources	An environment hostile to rural-urban partnership will limit the scope of action, even where the need to collaborate is acknowledged by rural and urban areas.
Can address challenges on a service-by-service basis	No one voice: no one speaks for the territory	If "partnership and institution fatigue" has set in, an *ad hoc* approach to rural-urban partnership seems to make the most sense.
Can bring in relevant stakeholders as needed	No region-wide co-ordination	In some circumstances, fostering a rural-urban partnership when the intermediary level of governance is weak can present challenges.
	More opportunities for sectoral vs. integrated strategies	An as-needed approach to partnership seems to fit, especially where the interest in a rural-urban collaboration (either from rural or urban actors) is low, despite the functional links.

Box 5.4. **Low co-operation incentives**

A key issue in the governance of regional development is the trade-off between competition and co-ordination among local administrations. One of the seminal articles on local government (Tiebout, 1956) postulates that the competition between local governments is the public sector's equivalent to competition in markets: individuals "vote with their feet" for local administrations that offer their preferred bundle of public goods and taxes. Additions to this model include "yardstick competition" between regions (Salmon, 1987). The traditional arguments for local government (better adaptation to local preferences and circumstances) underpin the positive impacts of competition between local governments. At the same time, it is clear that competition is more complex in the case of externalities, as these effects, which occur beyond jurisdictional borders, risk being ignored if there is not some form of co-ordination or co-operation. In general, more regional co-ordination of public goods and services will be needed when these are subject to externalities (such as transport); more competition would make sense when most externalities are already internalised or when mechanisms are in place to internalise them. This is particularly relevant for metropolitan areas, as their density will usually imply more externalities.

In the Lexington example, a local culture that values county autonomy has made regional collaboration difficult. The state government allocates Kentucky counties specific responsibilities and does not offer any meaningful incentives to collaborate on providing them. Typically, no requirements are made that services be provided at an equivalent level across counties. The main exception to this is basic K-12 education, where the state mandates that all counties meet a minimum level of expenditure and provides equalisation funds to ensure this. Counties in Kentucky have three main sources of income. The traditional source is local property taxes, supplemented by fees for specific local services; followed by transfers from state government and a payroll tax on employers within the county. In some counties with a strong local economy and high ratio of employees to local population, the payroll tax is the main source of income.

Box 5.4. **Low co-operation incentives** (*cont.*)

Several important consequences flow from this financial structure:

- Counties have a strong interest in attracting firms to locate within their boundaries. These firms provide property taxes but most importantly, they provide payroll taxes that are based on employment, including those from workers who reside in other counties.
- For most counties, local property taxes on residences fail to cover the cost of providing services to the occupants, especially for family housing of low to moderate value. A family that makes use of various local public services – roads, parks, police and fire, library, etc. – will pay considerably less in taxes than the cost of providing the services. Houses of high value are more likely to cover their costs of services, because the demand for services tends to be income inelastic.
- Counties with large numbers of outward commuters (bedroom communities) are clear losers in the context of regional public finance. These commuters use public services in the county where they reside but generate payroll taxes for the county where they work.
- Incentives for co-operation on economic development among counties are weakened because of the asymmetric public finance implications. Similarly, incentives exist to restrict residential development within any county, especially for low- to moderate-income housing, since it increases expenses more than it increases revenues.
- Firms with highly paid jobs are prized over those with low-paying jobs, and large firms are preferred to small firms, because county revenues are proportional to the size of the payroll.

Source: Salmon, P. (1987), "Decentralisation as an incentive scheme", *Oxford Review of Economic Policy*, Vol. 3, No.2, pp. 24-43; Tiebout, C.M. (1956), "A Pure Theory of Local Expenditures", *The Journal of Political Economy*, Vol. 64, No. 5, pp. 416-424; OECD (2009), *Regions Matter: Economic Recovery, Innovation and Sustainable Growth*, OECD Publishing, http://dx.doi.org/10.1787/9789264076525-en.

Second, where there is "partnership and institution fatigue" an *ad hoc* approach to rural-urban partnership seems to make the most sense. The Castelo Branco case study presents an interesting conundrum. Identifying the appropriate co-operation approach depends as much on a country's institutional culture as on the underlying problem. Clear frustrations remain with the numerous associations that co-operate vertically but not horizontally, especially as each has a different territorial vision. In practice, this means stakeholders are members of different groups, resulting in overlap and duplication of services offered. This is comparable to the multitude of organisms found in Forlì-Cesena. However, whereas a culture of collaboration flourished there, in Castelo Branco, it seems to have had the opposite effect, resulting in "partnership and institution" fatigue. Informants there indicated that the word "partnership" is negatively associated with "bureaucracy" and "paperwork". Correspondingly, little support was given to the top-down effort to improve horizontal co-operation by establishing inter-municipal associations. Thus, despite the recognised need for collaboration, time and targeted policies will be needed to move beyond these notions.

Third, in some circumstances, creating a rural-urban partnership when the intermediary level of governance is weak can present challenges. The divide between Prague and Central Bohemia is large. Prague is an integrated geographic and political unit with a single large and highly competent government that serves both the city and the region. By contrast, Central Bohemia has 1 146 communities, the vast majority of which have less

than 100 inhabitants. The regional government in Central Bohemia is much smaller than the government of Prague. In practice, this has meant that Prague has to negotiate with individual municipalities in Central Bohemia, and not as one region to another. Portugal has a long tradition of centralised governance, strong municipalities and no intermediate level of government. Each municipality is financed directly from different sources and they tend to operate independently and without adhering to or devising a common project or plan. The Finnish case study offers some similarities, with strong municipalities and a long history of inter-municipal collaboration. Despite the regional councils, the municipalities show few connections with the regional level. The councils in turn, have little explicit interest in rural-urban interaction. Some have included urban-rural partnership in their regional development programmes, but have yet to find concrete policy proposals.

Box 5.5. **Prague and Central Bohemia: Examples of initiatives**

Water supply to Prague. The development of a reservoir to supply water to Prague involved an initiative of Prague City/Region to invest in a joint vehicle created by Prague, Central Bohemia and a third region that created and manages the reservoir. Prague invested 98% of the capital in the vehicle and owns 96% of the shares, with the other 4% divided equally between the other two regions. Prague is the main beneficiary securing a reliable water supply, the other two regions benefiting directly through improved agricultural water supply and some employment growth. The voting majority required for decision making is for a 98% vote in favour, which provides a measure of control for the other two regions on the development of the site.

Education and social services. The municipalities are responsible for providing primary education facilities without specific funding for them. A municipality without a primary school must "buy" the school service for its citizens in another municipality chosen by the parents, mainly based on their commuting patterns. The Psáry municipality can only provide primary education for 64% of its children (in the municipality's only school, built in 1692), supporting the education vouchers for the remaining students. In Psáry, for example, the population of the village has grown, from 1 400 in 1999 to 3 540 in 2011. An additional 600 people live in the village and use the services, although they are not formally registered with the municipality. Demand for elementary schooling and social services has therefore grown, but the municipality does not have the powers or resources to develop new capacity. The region has chosen to prioritise its resources to other centres within Central Bohemia, such as Gladno. The municipality has sought to resolve these issues by collaborating with neighbouring municipalities, including some across the regional border. To provide education, the long-term aim is to secure investment in a new school, but in the short term, the response has included transporting students to alternative providers and borrowing facilities in the village. For social services, contracts have been negotiated with a Prague-based institute to supplement existing social care services for the growing number of older residents. Similar arrangements have been made for nursery-level care.

Securing EU investment to support innovation and academic sites. A third area of co-operation was an informal collaboration between Prague and Central Bohemia in securing EU investments to support innovation and academic sites on Prague's periphery. Prague is one of the highest-performing cities in the EU, and does not qualify for the main structural funds available through the EU Cohesion Policy, which are only available to regions operating at less than 75% of GDP per capita of the EU-27 average. Central Bohemia, on the other hand, remained below this threshold in the early years of the 2007-2013 period, and has qualified for significant investment. To develop Prague's economy and cluster these industrial and scientific sites, the two regions came together to identify sites on the periphery of Prague, but formally located within Central Bohemia. This made it possible to support them with EU funds.

Fourth, an as-needed approach to partnership seems to fit where interest in a rural-urban collaboration (either from the rural or urban actors) is low, despite the functional links. In the Finnish case, no basis for collective institutional action exists. The rural municipalities are used to working together and show little interest in creating an urban-rural alliance. Meaningful instances of improved communication seem to be lacking. In fact, a large city-small city divide of the type found in Extremadura is evident in the relations between Jyväskylä, a market town, and Saarijärvi, a remote rural area. This is largely because Jyväskylä and the rural areas seem to compete on a comparable set of issues (working places, institutions for education, welfare, health, etc.) and Jyväskylä has characteristics similar to the rural municipalities (e.g. green areas, an attractive landscape, etc.). Likewise, in the Prague/Central Bohemia case study, Central Bohemia lacks significant urban centres and relies on Prague for higher education, tertiary healthcare and access to retail, financial and professional services. Prague has little free land, and Central Bohemia offers the only opportunity to access additional land. However, interest in forging a mutually beneficial alliance is low.

Drawing lessons from the rural-urban framework

The analysis revealed that in some cases, rural-urban partnership led to important changes in the mode of governance, with increased interaction and co-operation between the policy actors at different levels of administration, from central to local. Despite initial reluctance, it prompted new forms of co-operation, allowing actors to pool their resources and skills to propose joint developmental projects. It created a forum to help regions better deal with economic, financial, social and environmental issues in a more flexible, but strategic fashion. Embedded in this continuum, and possibly one of the main challenges to the creation of structures of governance as suggested here, is the capacity to transition from a rural-urban project based on Model 4 arrangements, to a rural-urban territorial-holistic Model 2 structure.

The models outlined above contain considerable trade-offs in terms of benefits and costs and depend on the institutional framework, the level of decentralisation and local and regional context. A number of advantages and disadvantages are associated with each model. A model of rural-urban governance will depend on the motives and aspirations that bring actors together in the first place. When the external and institutional factors favour a rural-urban partnership, the model chosen should, at a minimum, align with the goal. Beyond that, the actors contemplating partnership should decide on the governance framework. First, the framework should be considered an "inventory" mechanism allowing regions to take stock of existing rural-urban partnerships. Second, where regions are the starting point for considering a rural-urban partnership, it is a diagnostic tool, a mechanism to filter the different possibilities for a partnership based on the parameters within the country. Third, since regions either have intentional or unintentional partnerships, or in many cases both, this framework provides a starting point to consider the different governance instruments and support that will be needed to reinforce these different structures.

There are various ways to approach rural-urban partnerships to bring them closer to functional realities. For example, where external factors are driving towards a partnership, but stakeholders have no mutual understanding of the need to respond in a collaborative way, less options for rural-urban collaboration (Model 4) are available. That need not be the end of the story. Bringing stakeholders on board and "making the case for a rural-urban partnership" can be played by a leader who leverages his relationship with

key actors in the functional territory to encourage them to participate. Similarly, one can envision an instance where institutional, rather than external, factors present a challenge, e.g. policy barriers in the United States or a lack of trust, as in Portugal. Several case studies invested in building a collaborative environment. *Ad hoc* agreements on an as-needed basis help to build trust and provide a foundation on which to build strategic relationships and prove their viability over the long term.

Box 5.6. **Co-ordination challenges in urban and rural areas**

In large urban areas, *amalgamations* are often promoted, on the grounds that a bigger municipal government would improve the effectiveness of public service delivery and thus increase the competitiveness of the metropolitan region. With amalgamation, higher-level governments try to off-load certain responsibilities and limited powers to the municipal level. Another objective is to rebalance population growth and patterns of social structure within metropolitan regions. In many cases, amalgamation was implemented as a response to urbanisation and urban sprawl by annexing small jurisdictions to a large municipality, e.g. Korea (1995), Istanbul (2004).

In contrast, municipal authorities in rural areas often turn to collaboration to attain a more efficient size for the provision of public services. Moreover, as administrative boundaries do not necessarily coincide with areas that are relevant economically, municipalities can co-operate with the aim of playing a more effective role in local economic development through exchanging information, sharing responsibility for certain investments and programmes and dealing with territorial externalities. This approach to emphasising the potential links via increased local co-operation runs contrary to the traditional focus on mechanisms that compensate for comparative disadvantages of lagging rural regions. In Canada, the Community Futures Corporations was set up to foster innovative development programmes with the support of the federal and provincial governments. They cover territories much greater in size than their European counterparts. During the course of its municipal reform, between 1999 and 2002, the Quebec provincial government decided that the heavily urbanised areas, rural areas and mixed urban/rural areas each required a different approach. The decision was made to consolidate municipalities in urban and metropolitan areas; strengthen the intermediate regional structure in rural areas, and step up inter-municipal co-operation in mixed rural/urban areas.

Source: OECD (2009), *Regions Matter: Economic Recovery, Innovation and Sustainable Growth*, OECD Publishing, http://dx.doi.org/10.1787/9789264076525-en.

Taking the time to build a rural-urban partnership

Crafting a rural-urban partnership takes time and often unfolds in different phases. Some of the partnerships within Model 2 evolved through a series of steps from single-purpose bilateral arrangements. The BrabantStad network illustrates this well. Discussion with the partnership stakeholders in Brabant revealed that the partnership evolved in six stages (Table 5.5). Before 2001, they worked primarily through *ad hoc* arrangements on spatial and economic development. This would coincide with Model 4 on the rural-urban governance framework. Investment of time should not be over looked. For the BrabantStad, each stage, even after developing the network, represented a critical change. The Nuremberg partnership is arguably in its second phase. The first was primarily focused inward (e.g. intra-regional tourism strategies), to build a regional identity and trust among stakeholders through "soft" initiatives. The second phase is focused outward on becoming internationally competitive, giving greater influence to the business sector.

Table 5.5. **Rural-urban partnership multi-stage process: Six stages of the BrabantStad partnership**

Stage 1	Ad hoc arrangements, pre-official network, (before 2001)	At this stage, little was known about each of the cities and the key issues. Collaboration was *ad hoc* to explore contributions to the national economic and spatial development; documents produced for these occasions refer to the individual cities, not to the network.
Stage 2	Formal network created establishing the relationship (2001-02)	A permanent partnership, the BrabantStad, was created. Councillors of the province and the cities agreed to join forces on shared objectives. The programme was adopted at the beginning of 2002 for the years 2002-03.
Stage 3	Joint lobbying (2002-03)	The partnership evolved into a lobbying network to provide impetus for a number of projects submitted for national funding. The programme mandated the concept of BrabantStad as an urban network, to be developed through joint studies.
Stage 4	Joint policy and strategies (2004-08)	The partnership sought to anchor the common goals by setting out long-term strategies. Four challenges were identified, plus actions and projects to respond to the challenges.
Stage 5	Joint investments (2008-2012)	Due to the closer relationships between the cities and their regions, the network was able to add a joint investment focus to its co-ordination and joint lobbying functions. The joint investments are a series of synchronised investment programmes targeted at the individual cities. Six goals and themes were identified, to be implemented in a series of projects and activities. The projects' funding arrangements demonstrated the cohesiveness of the structure since they required a commitment from the cities' matching funding, obtained at national or EU level. A number of projects were developed and funded this way.
Stage 6	Collective investments (2012 onwards)	Given their common strategic interests, the cities were prepared to invest in each other, as demonstrated by the support for Eindhoven's candidacy for the EU Capital of Culture.

Targeting support mechanisms for rural-urban partnerships – lessons from the framework

Supporting explicit rural-urban partnerships

Although the five cases studies classified as explicit cannot be said to be representative of the OECD area as a whole, they do help to distinguish rural-urban partnerships with a "holistic", or territorial, focus from the project-based ones. The case studies suggest that rural-urban co-operation takes on much greater significance wherever strong multipurpose structures deliberately seek to address rural and urban issues. Three mechanisms can help these partnerships (Table 5.6).

Rural-urban proofing. This essentially means having an analytically sound case for initiatives, based on rural-urban evidence. What may be considered appropriate policy for urban areas may not help dispersed rural communities (OECD, 2009). Rural-urban proofing is one way to ensure that the partnerships' initiative or partnership structure fully represents the interests of rural and urban stakeholders. Its aim is to emphasise the potential effects as initiatives are developed and implemented (Box 5.7). Differential impacts on rural and urban areas could arise in three situations: rural needs may differ from the needs of urban communities; solutions for one area may differ from solutions that work in other areas; or unintended adverse consequences for rural communities may arise from proposed strategies that are appropriate for urban communities. Ideally, a prior assessment of policy would mean having timely evidence on urban-rural dynamics so that corrective measures could be introduced and/or the pertinent representatives could be included in the policy development and design phase, as they are in the NMR.

Box 5.7. **Switzerland agglomeration programmes consider urban and rural areas**

Switzerland instituted an agglomeration policy that is mandated to consider the situation of urban as well as rural areas. The policy aims to improve the economic appeal of towns and cities, to maintain the level of quality of life, to limit urban sprawl, and to maintain the heterogeneous mix of decentralised urban areas (polycentrism). Fifty statistically defined agglomeration areas are designated, divided into large (1 million-plus inhabitants), medium, and small (20 000 inhabitants) agglomerations. The federal budget for agglomeration policy is CHF 11 million and uses three policy tools.

First, for the purposes of programming, each agglomeration area establishes its own perimeter (which may differ from the statistical definition of agglomeration areas) and develops an *agglomeration programme*. This relatively new instrument is intended to facilitate collaboration and co-ordination within conurbations (among cantons, cities and communes). Participants are expected to identify challenges, set priorities and solve problems jointly among administrative units. To encourage communes to use this tool, the central government has offered to share the costs for the conurbation's transport system, provided that the agglomeration programme demonstrates alignment of urban issues and transport planning. A programme agreement (convention-programme) is established between the Confederation and the co-ordinating body, which establishes the contractual terms for the different parties. The Confederation provides 30% to 50% of the overall programme cost, based on an assessment of the agglomeration programme. Some agglomeration programmes include:

- In Castione-Bellinzona, economic development projects are being encouraged in an inter-disciplinary approach (location development). Spatial planning (including directive plans and usage zoning plans) creates the spatial premises, the agglomeration programme makes it possible to plan and finance the infrastructure through the Infrastructure Fund, and regional policy contributes to improving the competitiveness of the economic development hub and its functional region (co-operation between centre and periphery).
- In the canton of Lucerne, the agglomeration programme and regional policy are each used for complementary spatial types (city-countryside). Lucerne's countryside also benefits from the increased attractiveness of the centres and the main development axes (agglomeration policy, model projects, etc.), since it capitalises on and enhances stimuli from the city, as part of the new regional policy, tourism promotion, etc.
- In the canton of St. Gallen, five agglomeration programmes (international and cross-border) are under way, all mainly concerned with regional policy (the canton as a whole). The regional organisations that implement agglomeration policy and the new regional policy are currently being reorganised. Overlapping projects mainly concern workplaces and integrated location development.
- The canton of Vaud participates in five agglomeration programmes (both inter-cantonal and cross-border), of which two (Agglo franco-valdo-genevoise and Lausanne-Morges) are by and large excluded from the National Research Programme (NRP), and three, Yverdon, Vevey-Montreux and Aigle-Monthey, are covered by the NRP. In the case of Yverdon, agglomeration policy, which provides the urban planning and transport framework to ensure Yverdon's competitiveness (Infrastructure Fund), fits in with the NRP, which strengthens Yverdon as an economic centre by exploiting the potential of industry, trade and universities.

Second, agglomeration areas benefit from an Infrastructure Fund (a total of CHF 20.8 billion over 20 years, including CHF 6 billion set aside for agglomeration transport projects). The existence of an agglomeration programme is a precondition for accessing these funds. To date, funds have been provided largely for transport (e.g. the completion of the national road network, urgent agglomeration transport projects, and major roads in mountainous and peripheral regions). Funds released beginning in 2011 will target national road congestion hotspots and agglomeration programmes.

Box 5.7. **Switzerland agglomeration programmes consider urban and rural areas** (*cont.*)

The third policy tool is a fund for model projects. The federal government provides up to CHF 500 000 annually for three to six years for innovative projects. Over 50 projects have been funded since 2002, most focusing on collaboration. In a number of cases, actors developed model projects expressly to construct collaborations and create an agglomeration programme to access the Infrastructure Fund. This is consistent with the 2002 OECD conclusion that "the main issues for federal metropolitan policy are therefore of a more institutional than financial nature. Mainly they relate to stronger support for metropolitan collaboration, through support of partnerships whose objective is to provide metropolitan-wide public services." Informally, "model projects" represent one venue where urban-rural connections can be explored. Of the 50 model projects currently funded, approximately 8 to 10 address the urban/rural theme.

Source: OECD (2011), *OECD Territorial Reviews: Switzerland 2011*, OECD Publishing, http://dx.doi.org/10.1787/9789264092723-en.

Break policy silos. Initiatives built around networks and partnerships offer potential for new forms of cross-sectoral collaboration and policy integration. Different factors influence policy integration (see Box 5.8 for a definition). Central government determines the way in which many initiatives must be implemented and denies local government flexibility in implementation. The consequences are that the structures, processes, activities and outcomes are heavily determined by central government, and the possibilities of locally sensitive solutions are reduced. Thus partnership initiatives become much more the manifestation of central policies in areas than a reflection of local, community-based solutions. For example, investment priorities set by G21 are influenced by available funds rather than local needs, and this is more evident in rural communities.

Box 5.8. **What constitutes policy integration?**

The term "integration" can be ambiguous and interpreted in at least three different ways. A first-level definition of policy integration is when actions may be considered as integrated simply when they are listed together, without analysing the interactions or potential inconsistencies between them. Clearly, the positive results from this form of integration are in reality quite limited. A second-level definition of integration requires that actions, where listed, are oriented to the same objectives. This may occur if actions are selected around common objectives, even if their planning and/or implementation do not involve interaction and co-ordination. A third-level definition of integration is perhaps most essential to the requirements of good planning. By this definition, actions and policies are considered integrated when they are complementary to and interact with each other as parts of a coherent and organic strategy designed to achieve a common set of objectives. To achieve this kind of integration, two elements are required: a plan consisting of common objectives and goals, for which specific strategic actions and instruments are designed; an organic link between these actions and instruments capable of producing positive interactions and synergies that lead to common objectives.

Source: Froy, F. and S. Giguère (2010), *Breaking Out of Policy Silos: Doing More with Less*, Local Economic and Employment Development (LEED), OECD Publishing, http://dx.doi.org/10.1787/9789264094987-en.

Identify alternative funding sources. Legislation can be used to help establish frameworks or parameters that build sub-national capacity by allocating resources. This can be accomplished by the central (national) level and at state/regional level. If roles and responsibilities are clearly defined, legislation can help overcome problems of duplication and overlap, and can become a successful mechanism for managing problems of resource allocation with respect to task allocation, versus funding. Additionally, partnerships can establish a private investment commission. For example, in 2012, the Council of the Nuremberg Partnership opted to give the business community more influence in the decision-making process in exchange for financial support.

Supporting implicit rural-urban partnerships

The case studies suggest that, where this is the goal, the likelihood of moving from an unintentional to an intentional rural-urban partnership is greater if certain elements are reinforced. Common understanding of the challenges makes it possible to suggest supporting instruments that would help improve these one-off partnerships or build a foundation for more elaborate partnerships to emerge:

Encourage political buy-in. Where local leaders (e.g. municipalities or county) evince little interest in interaction and co-operation with neighbouring regions, engaging with the public is one way to encourage political buy-in. Local leaders are guided by the concerns of their constituents, and the benefits of co-operation may be difficult to capture in political terms. One way to tacitly begin the buy-in process is to hold consultations and public meetings to inform citizens, and to link the goals of the partnership to a need in the community (e.g. education in the case of Prague). Kingdon's landmark work (1984) on agenda setting and policy formation notes that government officials may pay attention to a set of issues partly because they are on the minds of many ordinary people. This should not be overlooked. Leading from the bottom is one way to demonstrate the relevance of the functional area to upper tiers of government, where endorsement from the top is limited. At present, little collaboration exists between Prague and the region of Central Bohemia, and the scant attention is paid to the need for high-level strategic planning that recognises the area as a functional, integrated economic engine. This could, however, evolve into more active engagement once stakeholders demonstrate success through small-scale efforts. The actors in Lexington, Prague-Central Bohemia and Castelo Branco are doing well to continue to carve out different ways to co-operate, laying the foundation for wider collaborations in future.

Legal and regulatory policies that promote rural-urban partnership. These allow territories (local authorities and other stakeholders) the room to find the most suitable form of co-operation based on their specific needs and functional geographies. Higher levels of governments (central government in unitary countries and the state/province in federal countries) are increasingly involved in promoting horizontal collaboration across rural and urban areas, through the use of legal instruments. Reforms can be implemented through a national law that legitimises the process. In Korea, for example, the territorial framework was modified to create rural-urban administrative units. This city administrative region combines an urban centre and rural areas. This administrative unit was created out of concern that an exclusively rural administrative area would have not been self-reliant. Larger regions can more effectively attract investments or market themselves abroad, and more easily defend or promote shared regional interests.

Box 5.9. **Vychodne Slovensko: An unfavourable policy environment**

Vychodne Slovensko had a population of 1.5 million inhabitants in 2008, or 29.3% of the Slovakian population. The region consists of two self-governing regions (*kraj*), Prešov and Košice. Forty-two per cent of its population lives in rural communities, defined as those with a population density of less than 150 inhabitants per square kilometre. The largest city in the region is Košice, the second-largest in the country after the capital, Bratislava, with 233 659 inhabitants, followed by Prešov with 91 650 (161 000 in the wider metropolitan area), Poprad with 55 052 (100 000 in the wider metropolitan area), Michalovce with 40 255 and Spišská Nová Ves with 38 357. The OECD (2012) categorised this region as one with potential to catch up, growing below the national average. One of the key challenges in the region is the unfavourable policy environment. Regional operational programmes were not managed at the regional level. Little dialogue took place between the national and the regional levels and co-ordination mechanisms were inadequate to ensure that the region contributed to the national policy design. Due to a lack of capacity at regional level, strategic planning and the identification of priorities in the region lacked proper analysis and objectivity.

Source: OECD (2012), *Promoting Growth in All Regions*, OECD Publishing, http://dx.doi.org/10.1787/9789264174634-en.

Incentives for co-operation. Local authorities may require some form of external support or incentives to engage in a rural-urban partnership. Some OECD member countries have adopted a top-down incentive policy to encourage municipalities to co-operate to achieve economies of scale in service provision and save expenses by rationalising administrative functions. The option of strengthening co-operative arrangements among areas that would benefit from a broader vision than that of the county should also be considered. Experience shows that legal instruments to promote co-operation work better when accompanied by fiscal incentives. In France, laws for the creation of urban communities or agglomeration communities promote voluntary co-operation by offering participating municipalities an incentive grant in addition to their existing block grant entitlements. One condition is that the municipalities agree to transfer certain responsibilities (mandatory and optional) to the new supra-municipal body, e.g. Rennes. In the Kentucky case study, while the city of Lexington may seem best placed to lead efforts to enhance collaboration, it is hampered by longstanding suspicion of its motives among the counties' population and leadership. In the past, Lexington has been thought of as structuring collaborative efforts to favour its interests. On the one hand, no local leaders, including in Lexington, are likely to enter into agreements that weaken their jurisdiction. Lexington would be expected to benefit to a greater extent than other counties in any agreement, because it is bigger and provides a larger share of the resources. Some incentive towards rural-urban co-operation may thus be needed.

Table 5.6. **Support mechanisms for rural-urban partnerships**

Explicit rural-urban partnerships need support mechanisms for	Common support mechanisms needed by both types of rural-urban partnerships:	Implicit rural-urban partnerships may need:
• rural-urban proofing • identifying alternative funding streams • breaking policy silos	• monitoring and evaluation tools • considering how to better involve citizens and the business community	• legal and regulatory policies favourable to rural-urban partnership • incentives for co-operation • help unlearning practices that have become inefficient • to adopt a focused strategy for developing trust

Unlearning practices that have become inefficient. In cases where resistance to rural-urban partnership is high, a process of "*un*learning" may be called for, before new rounds of learning adapted to emergent economic circumstances, can be undertaken. The current economic and social circumstances of a region reflect the outcome of past trajectories of development (OECD, 2001; 2009). A central role for policy makers is to promote what has been termed "*un*learning". Changing practices that prevent other learning processes from taking root in the region are issues that can be addressed at a relatively high and strategic level. A "push factor", such as a pending economic recession, may be an effective means of mobilising local interest in regional learning. An area that is prosperous and socially coherent may be more difficult to persuade, but growing levels of dissatisfaction (e.g. Castelo Branco) may leave scope for unlearning to take root (OECD, 2001).

Adopt a focused strategy for developing social capital. The Castelo Branco case study provides evidence that rural-urban partnership is extremely difficult to achieve without stable interaction between firms and other organisations, based on norms of trust and free exchange of information (OECD, 2001). Policy makers need to develop strategies to foster appropriate forms of social capital as a key mechanism in promoting more effective organisational learning and innovation. The difficult task of developing social capital where it is weak is best approached in a focused way, especially by strengthening existing networks. In Nuremberg, the various policy forums created (basically out of nothing) by and for the NMR took on "consensual, 'easy' issues" to build up regional trust, localised social capital and shared identities for future governance work. The province of Forlì-Cesena shows the positive value of having extensive networks and the ability to bring such networks together to make a real difference. In Rennes, the long history of the process (more than 30 years), the strong identity and leadership contributed to the effectiveness of the partnership.

The rich multi-cultural, multi-institutional and multi-social setting of OECD countries makes it impossible to use the same policy instruments in each policy context. Participatory instruments should be tailored to the situation. While some supporting instruments are better suited to planned or organic partnerships, others can benefit both types. They include:

Citizens, academia and the business community should be encouraged to participate in the development of local and territory-wide agendas. Apathy and lack of civic engagement can result when the agenda offered does not correspond the needs of the citizens or the business community. Consultation schemes can help gather valuable information. They can also enhance the work of the partnership in programme formulation, bringing it in line with the interests and preferences of the actors involved and the community as a whole.

Monitoring and evaluation mechanisms. Performance management challenges partnerships to show that they are making a difference. Monitoring can demonstrate that rural-urban partnerships are having an impact on the regional rural or national economy, that they are delivering sustainable community strategies and outcomes valued by local citizens. The partnership initiatives studied showed little focus on monitoring and evaluation. Partnerships are rarely evaluated by increased use and better targeting of measures; greater responsiveness to local conditions; identification of opportunities for broader impact through joint activities; and a higher degree of satisfaction among the population. An evaluation of existing policies and strategies could provide a sound basis for enhancing performance. Partnerships should build capacity at all levels to generate relevant data and expertise, introduce monitoring of policies and provide greater

information exchange and circulation of best practices. Greater data availability and an investment in analytical skills would reinforce strategic planning capabilities.

Policy co-ordination failures: How rural-urban partnerships can help

A crucial, often difficult task when implementing integrated policies is to achieve co-ordination and coherence among the different levels of government and the various actors operating in a given territory. OECD (2009, 2010) notes that multi-level governance structures are under stress because the mutually dependent relationship between public actors horizontally and vertically at the different levels of government is fraught with a series of "gaps" (Table 5.7). When effective, rural-urban partnerships can contribute to policy integration and policy coherence and thus help to bridge these such governance gaps. Governance in functional rural-urban areas is a complex process, involving urban and rural environments with different levels of public administrations. By activating many different variables, rural and urban stakeholders and different policy sectors, they are forced to interact and solve problems. Rural-urban partnerships provide an arena in which inconsistencies between national, ministerial priorities and regional and local authorities, as well as those between local agencies and interests, can be overcome.

Table 5.7. **Seven gaps that challenge multi-level governance relationships**

Information gap	The information (knowledge) gap involves asymmetry between the national and the sub-national level in designing and implementing public policy. National and even sub-national strategies for achieving public policy objectives can face an information deficit if sub-national authorities and actors do not actively share their knowledge of what is happening on the ground. Sub-national governments tend to have more information about local needs and preferences, and also about the implementation and costs of local policies and public service delivery. Unless the sub-national level generates and publishes quality data on a timely basis and communicates it to the central level, an information gap is generated.
Capacity gap	This occurs when human, knowledge (skill-based) or infrastructural resources are insufficient to carry out tasks, regardless of the level of government. It implies a lack of human, financial, knowledge (skill-based) or infrastructural resources between levels of government.
Funding (fiscal) gap	This is a discrepancy between sub-national revenues and the expenditures sub-national authorities need to meet their responsibilities. A fiscal gap between the revenues and expenditures of sub-national government ends in its financial dependence on the central level. Regardless of the transfer type, the sub-national level remains dependent on the national level for funding and for the fiscal capacity to meet its obligations. Meanwhile, the central government depends on the sub-national level to deliver more public services at an increasingly high cost, and to meet both national and sub-national policy priorities.
Administrative gap	This arises when administrative borders do not correspond to functional economic areas at the sub-national level. The implementation of effective programmes requires a minimum scale that can sometimes only be obtained through specific policies favouring horizontal co-operation. Individually, a municipality, city or region's influence may be limited, but as a group, they can play a more influential role in dealings between levels of government.
Policy gap	This is the result of incoherence between sub-national policy needs and national-level policy initiatives. It can occur when ministries take a purely vertical approach to policy issues that are inherently cross-sectoral (e.g. water, energy, youth, investment, etc.). Neglecting to consider a sub-national logic can reduce the chance of developing successful cross-sector policy at the sub-national level. If individual ministries apply their individual logic to cross-sectoral initiatives that impact or are implemented at the sub-national level, the opportunity for "whole-of-government" approaches is reduced.
Accountability gap	This is a result of the difficulty of ensuring transparency across different constituencies and levels of government. It also concerns challenges to the integrity of policy makers involved in managing public investment. Periodic assessment of progress toward established policy goals is key to understanding whether efforts are effective, and policy must be adjusted.
Objective gap	This refers to different rationales of national and sub-national policy makers that create obstacles for adopting convergent strategies. A common example is generated by political parties, which may lead to opposing approaches. In such cases, divergences across levels of government can be used "politically" to corner the debate, rather than serving a common good. Even if they are politically aligned with the central government, mayors may prefer to serve their local constituencies, rather than respect broader national goals that are seen as contradictory.

The multi-level governance evaluative framework provides a useful way to test whether rural-urban partnerships are facilitating policy integration and coherence. One mechanism helpful in addressing these gaps is co-ordinating bodies. These are government or non-government groups that help promote co-operation and collaboration among levels of government. They are also a key force for building capacity and sharing good practices at the sub-national level. Co-ordinating bodies are generally municipal associations, but they can also be working groups, government agencies, or specific government offices (Charbit, 2011; Charbit and Michalun, 2009).

Rennes Métropole, the G21 Alliance, the Nuremberg Metropolitan Region and the BrabantStad all share the ability to cut the red tape typically associated with bureaucratic systems and share information across a wide network of actors. Problems are solved not only with grand strategies, but on a day-to-day basis, through knowing the right people to achieve what needs to be done. They have similar structures in place (a myriad co-ordinating bodies e.g. working groups, "pillars" and steering committees) to design and discuss strategic initiatives and facilitate interaction with a diverse group of stakeholders from different policy fields (environmental, rural development, agricultural, regional). In the BrabantStad, this happens through a working party and a steering committee made up of senior representatives from the Cabinet, executives of the cities and the province. Additionally, the advisory group reproduces the "triple-helix" model of co-operation known to that area, by including the academic and private sector.

In Rennes, several organisations co-operate, and a permanent dialogue has been established with presidents of the diverse structures, who meet every month. Two annual conferences involve all relevant partners, and a conference of the mayors was implemented to debate key policy orientations. In the NMR, the steering committee and seven forums of expertise benefit from the participation of around 600 public officials. The G21 Alliance relies on over 300 volunteers, a mix of public officials (council officers, government employees, community leaders and specialists) who provide their services through the eight pillar groups. One informant noted that the G21 "engages in intellectual debate at a high level. It helps people think through problems". Several others underscored the importance of the various pillars in exchanging information, opportunities, obstacles and policy approaches. One initiative by G21 enabled the members to respond coherently to the problem of small-town expansion and its encroachment on agricultural land. Because the problem needed significant infrastructure planning, with input from different levels of government, this was beyond the scope of one rural council. Through the G21 alliance, different rural councils worked to form a coalition in the G21 pillar groups and devised a plan that was approved.

Through these mechanisms the partnerships are able to:

- bring together diverse rural and urban partners and rural, regional and urban policy areas, and facilitate the development of cross-cutting perspectives and integrated approaches to collective problems
- bring public programmes closer to locally identified priorities
- identify and seize opportunities to combine and enhance the effect of public programmes and local initiatives
- identify potential conflicts and synergies between different public policies and inform policy makers
- provide local leadership; build trust and consensus on priorities

- integrate the concerns of civil society and the private sector into strategic planning
- improve local and regional information systems through better use of local data and indicators, to work on the basis of sound local knowledge and expertise
- demonstrate a strategic approach that looks beyond the delivery of projects and programmes and can adapt to new challenges
- develop forward-looking capacity, taking account of challenges and opportunities to find new partners to create the basis for long-term development strategies.

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Chapter 6

A strategy to build effective rural-urban partnerships

Based on the analysis of the nature and implications of urban-rural interdependencies and on the governance arrangements that can be used to manage these relationships, this chapter provides a set of recommendations on how policy can help rural-urban partnership to form and to be effective.

The rationale for rural-urban partnership

The analysis in this report reveals that improving rural-urban relationships can be a good way to achieve a better and more inclusive development. When urban and rural areas are more connected, they can benefit from the complementarity of their different endowments, facilitating better access to jobs, amenities and different types of services. Population dynamics – a major and classic issue in urban-rural interactions – is a well-documented example of the fact that stronger integration benefits both urban and rural areas. Yet rural-urban interactions are complex and encompass different geographies. Different types of linkages – demographic, economic, environmental and those related to the provision of services – cross urban and rural boundaries, and they need to be managed to improve regional performance. Rural-urban partnership is one way to foster and manage these complex interactions, providing an alternative to administrative reforms or to the direct action of other intermediate levels of government (e.g. regions).

Rural-urban partnership helps achieve better regional conditions. First, rural-urban partnerships facilitate the production of public goods that are useful for economic development. Examples include co-operation to better connect firms to large and more integrated markets (e.g. Forlì-Cesena, Italy; Lexington, Kentucky) or to foster territorial image and visibility, which increases the attractiveness of the regions for investment and tourism (e.g. Nuremberg). Second, rural-urban partnership makes it possible to achieve greater economies of scale in the provision of public services. Partnerships aggregate the limited local resources of rural governments with more plentiful urban resources to provide services more efficiently to the entire region. The case studies provide several examples of how urban and rural areas co-operate to improve the quality and the efficiency of services, by joining resources and capacity and avoiding duplication. For example, the use of ICT to provide public services to the most remote areas, avoiding depopulation and increasing well-being (e.g. Finland). Third, rural-urban partnership helps account for cross-border effects of decisions taken by single urban and rural local authorities. Examples of partnership were found to better co-ordinate land development within functional regions and to preserve the landscape (e.g. Rennes, France).

Certain factors could hinder or stall the formation of a rural-urban partnership. These can be rooted in the specific characteristics of the rural-urban dynamics, such as the diversity of the territories and actors involved, in the internal structure of the partnership and in external factors, such as the institutional environment.

Rural-urban co-operation can be complicated by differences between urban and rural areas in terms of size, distance, capacity and socio-economic conditions. Different endowments and their dynamics shape the interests of actors located in urban and rural areas and make co-operation more difficult. Co-operation was found to be more fluid where differences in size and economic conditions among urban and rural territories were smaller. The Nuremberg Metropolitan Region and Forlì-Cesena are examples where lower distances and smaller economic and capacity gaps between urban and rural actors may have helped foster the partnership. Especially in predominantly rural territories with

market towns, the low density of settlements and large distances between actors can stall co-operation. In addition, when a region is stagnating or declining in economic or demographic terms, some functions may be concentrated in cities, widening the gap between the functions available in rural and urban areas. This can create a misalignment of interests and block co-operation, even if it helps to manage the changing conditions in the region. Most of the predominantly rural case studies show that rural-rural co-operation often happens before the involvement of the largest towns, especially for service provision. In large metropolitan areas, a similar obstacle may emerge. In the Prague-Central Bohemia case, for example, the co-operation between the main city and the much smaller surrounding municipalities has not always been easy, given the differences in size and capacity of the public actors.

Better policy integration at the higher levels of government facilitates the formation and the effectiveness of rural-urban partnerships. National urban and rural policies rarely contemplate any interaction between urban and rural territory. Likewise the allocation of resources to contiguous urban and rural territories is often carried out without acknowledgement of their *de facto* interdependencies. Urban and rural actors working separately can be a challenge, particularly where working together would yield better results. Rural-urban partnerships can facilitate policy integration because they provide the platform for strategic and integrated discussion on territorial issues. The case studies in this report provide examples of low policy co-ordination, where, for example, the key sectors such as agriculture are less or more difficult to engage. The Nuremberg Metropolitan Region, G21 Alliance, BrabantStad and Rennes *Métropole* provide consistent examples of diverse actors and constituencies working together to solve key challenges.

Strengthening rural-urban partnership: A strategy

Based on the analysis of rural-urban partnerships and the governance arrangements that can be used to manage these relationships, this chapter sets out five ways to strengthen rural-urban partnerships. These recommendations provide important indications of how policy can help rural-urban partnerships or improve their effectiveness. The five pillars can be summarised as follows (see Table 6.1, which also suggests which government level is more involved for each pillar):

1. Promote a better understanding of socio-economic conditions in urban and rural areas and foster a better integration between them.
2. Address territorial challenges with an approach based on functional linkages between urban and rural areas.
3. Encourage the integration of urban and rural policies by working towards a common national agenda.
4. Promote an enabling environment for rural-urban partnerships.
5. Clarify the partnership objectives and related measures to improve learning and facilitate the participation of key urban and rural actors.

Promote understanding of the differentiated nature of the territory in the functional area and higher rural-urban integration

Understand the different potentials and challenges of urban and rural areas, through the use of robust evidence

Significant differences separate urban and rural populations in terms of their needs. Further, the economic structure of rural areas differs from urban areas, with a different mix of industries, size and distribution of firms, which in rural areas are often micro firms. Urban and rural jobs have a different mix in terms of skills. The local economy in rural areas involves specialised production of a limited number of goods and services. In urban areas, by contrast, a far higher share of final demand can be met from local sources, so the internal dynamics of the economy are both more complex and more dominant (OECD, 2013). In more remote rural regions, agriculture, forestry and fishing play a much larger role and property rents and business activities are less important. Larger places offer higher-order goods and services than smaller places. In urban centres, tertiary care hospitals provide specialised treatments to a large region that covers the city and a large surrounding rural territory, while in a rural community there may be only a primary care centre. Rural areas are also important providers of ecosystem services.

National and regional governments should promote the production of data at the appropriate spatial level to understand the different urban-rural dynamics and the extent of their interdependence. A greater understanding by policy makers of the different socio-economic conditions and functional interdependencies would increase awareness of territorial challenges and opportunities, as well as the potential benefits of co-operation. Incomplete information about the differentiated nature of the territory in the functional area can also yield policies or initiatives that have an imbalanced effect. In the case of Extremadura, the policy of mandatory "joint associations" was introduced to support marginalised, underperforming remote rural municipalities. Excluding the larger rural cities (e.g. Cáceres, Badajoz) in the territory from this policy inadvertently contributes to the "small city-big city" divide in the region.

Encourage greater integration between urban and rural areas through better access to services, jobs and amenities

Integration between urban and rural areas should be encouraged, in particular where differences in size, capacity and territorial characteristics can discourage co-operation. Especially in remote rural areas, where linkages with cities are weaker and where territorial differences are higher, accessibility to services, jobs and amenities should be promoted. Case studies provide examples of rural-urban co-operation to improve the access to public services (e.g. education, transport, health) to the most remote areas, for example through the use of ICT (e.g. Finland). In Nuremberg, co-operation to improve the transport network was intended to improve access to jobs and amenities to reflect the linkages between urban and rural areas and enhance regional development. Other examples include partnerships to manage water resources, where remote areas that provide water are targeted with investments aimed at preserving and exploiting their natural amenities and improving their physical accessibility.

Use the rural-urban governance framework to help identify the different types of partnerships in the territory and to better target support

The rural-urban governance framework provides one way to understand both the different types of rural-urban collaboration in a given territory and the potential rural-urban partnerships that can emerge. There is unlikely to be a single model of collaboration across different functional scales, given the range of territorial linkages and the divides that need to be spanned. The case studies reveal that rural-urban co-operation can potentially have greater significance if it takes a multi-purpose approach and deliberately embraces a rural-urban agenda. A project-based partnership, operating on an as-needed basis, can also be effective, depending on the objectives a region pursues and its institutional characteristics. The key element is understanding when to provide support and determining what enables the partnership to thrive, no matter what its type. Allowing flexibility in designing the institutional architecture needed to foster partnerships is as important as ensuring that all important limited resources are well targeted. For example, the framework reveals that large, multipurpose rural-urban partnerships that lack delegated authority to act deliver good results. However, they typically struggle to identify stable funding sources and may be understaffed. Project-based partnerships tend to be more disconnected from strategies. Understanding such dimensions will help identify support mechanisms suited to the needs of the different partnerships.

Address territorial challenges with an approach based on functional linkages between urban and rural areas

Policy makers should be encouraged to adopt a rural-urban functional approach where feasible. As illustrated in this report, a distinctive set of functional relationships link rural and urban territory. The intensity of the interactions around the labour market has implications for a range of policy areas, including housing, transport and the design of settlement patterns. Other aspects of economic functionality beyond the labour market imply a governance or co-ordination response, for example in the context of supply chains, innovation networks and ecosystem services. To take advantage of this range of links and interactions, there is a need for better understanding of space and the development of new relationships to maximise the returns from these interactions.

Encourage territories to identify their integrated strategies around functional geographies

National institutional and regulatory frameworks should enable different administrative entities to engage in partnership around functional geographies. These should be flexible both over time and depending on the type of linkage that is managed between urban and rural areas. The institutional and regulatory framework should ensure that cities and connected rural areas can join common projects and that the partnership has recognition at higher levels of government, avoiding institutional conflicts. Metropolitan regions and other inter-municipal forms of co-operation defined on the basis of functional approaches should be recognised, within their countries, as relevant partners for institutional dialogue and negotiations. Of course, any formally binding decision must remain within elected bodies. Specific initiatives might be encouraged to promote joint strategic and integrated planning at the level of the functional region. Pilot projects could be launched, starting with building mutual understanding between partners and learning from existing international experiences.

Table 6.1. **A strategy to build effective and sustainable rural-urban partnerships**

Strategy pillar	Recommendation	National government	Regional government	Local government
Greater understanding of rural and urban conditions and linkages and better integration	Understand the different potential and challenges of urban and rural areas, through the use of robust evidence (production of data at the appropriate spatial level).	✔	✔	
	Encourage greater integration between urban and rural areas through better access to services, jobs and amenities.	✔	✔	
	Use the rural-urban governance framework to help identify the different types of partnerships in the territory and to better target support.		✔	✔
Address rural-urban challenges with a functional approach	Look beyond city-centred labour markets and embrace a wider set of rural-urban interactions.	✔	✔	
	Encourage territories to identify their strategies around functional geographies where urban-rural interactions extend beyond administrative boundaries.	✔	✔	
	Promote the use of flexible planning tools able to encompass a space of functional relationships between urban and rural areas.	✔		
Encourage the integration of urban and rural policies by working towards a common national agenda	Promote the use of common policy instruments to address potential conflicts and trade-offs between urban and rural agendas.	✔		
	Encourage the participation of different government levels in rural-urban partnership, to achieve a better policy integration.	✔	✔	✔
	Ensure alignment between regional strategies and plans devised locally to facilitate wider stakeholder involvement.		✔	✔
Promote an enabling environment for rural-urban partnerships	Develop trust and a shared vision of the territory by promoting pilot projects on easy "win-win" issues, education initiatives and dialogue facilitators.		✔	✔
	Ensure that the legal and political framework does not prevent the formation of rural-urban partnership.	✔		
	Encourage co-operation between rural and urban actors through appropriate incentives (e.g. platform for dialogue, financial incentives, etc.).	✔		
	Encourage the involvement of the relevant urban and rural stakeholders by promoting a fair partitioning of voting rights within the partnership.			✔
Clarify the partnership objectives and related measures to improve learning and facilitate the participation of key urban and rural actors.	Set clear and realistic objectives, tailored to the specificities of each place, to motivate urban and rural actors.			✔
	Set the criteria for the use of effective monitoring without discouraging urban-rural co-operation (e.g. using a small number of indicators; tailoring the evaluation to the scale and scope of the rural-urban partnership; promoting open data).	✔		
	Facilitate the exchange of good practices and knowledge acquired though the rural-urban partnership.	✔	✔	
	Assist rural-urban partnership to assess its results and provide information and knowledge about the territory.	✔	✔	

Looking beyond city-centred labour markets and embracing a wider set of rural-urban interactions

Rural-urban interactions are bi-directional and complex. It is important to look beyond the city-centred labour market and embrace the wider interactions in the territory. Especially in predominantly rural regions, co-operation among rural areas can also be seen as a way to strengthen capacity and territorial awareness. This process is important, since it promotes learning, helps achieve critical mass for dealing with higher government levels, and enhances competitiveness. The Polish case study provides an example of potential new economic opportunities through rural-rural co-operation for the exploitation of natural assets (e.g. from tourism to local food, etc.).

Promote flexible planning tools that can encompass functional relationships between urban and rural areas

Addressing territorial challenges through a functional approach requires policies that extend across urban, peri-urban and rural areas, all of which may depend on different linkages. The *Schéma de cohérence territoriale* (SCoT), a planning tool applied in Rennes, is an example of an instrument for designing and implementing different sectoral policies (e.g. housing, environment, transport, etc.) at a spatial level that takes into account functional linkages between urban and rural areas. However, given that urban-rural relationships are diverse and cover a wide set of functions, the space targeted by policy should be flexible and respect the actual needs of urban and rural territories.

Encourage the integration of urban and rural policies by working towards a common national agenda

Address potential conflicts between urban and rural agendas through a higher coherence of policy goals and the use of common policy instruments

Rural-urban partnerships are well suited to tackle multiple initiatives from a wide range of sectors. However, actors are sometimes reluctant to co-operate because the stakeholder's interests and perceptions of priorities are guided by sectoral policy streams. Fragmentation of policy responsibilities can be seen in most OECD countries, where different ministries deal with specific competences, such as spatial planning and public transport on the urban side, and agriculture and natural parks on the rural side. In Rennes, the separation between agricultural and other policies (environmental, housing, etc.) made it more challenging to engage farmers. By contrast, in Geelong, the involvement of different stakeholders was more easily achieved. To improve policy integration, co-ordination should be fostered along several policy dimensions, and national governments have a key role in this respect. This means that there must not only be coherence in the various sectoral policy goals, but also between structures and procedures.

Common policy instruments should be promoted. This can be accomplished seamlessly in a rural-urban partnership environment e.g. the Rennes spatial plan. More generally, national government could take steps towards a common national agenda for urban and rural policy. In this respect, the recent decision by the European Commission, through the Common Strategic Framework (CSF), to set out a comprehensive investment strategy for all the EU funds is welcome (Box 6.1). Finally, an integrated knowledge management system and a common process of monitoring of different policies can help overall policy integration. For example, a unique office for monitoring the performance

of different policies (e.g. the unique monitoring system for agriculture and cohesion funds in EU countries) is a possible way of bridging policy silos.

Box 6.1. **Make the best use of the EU policy framework and its territorial tools**

General framework

The EU has long recognised the importance of urban-rural relationships for territorial development. In 1999, the European Spatial Development Perspective (ESDP) highlighted the importance of rural-urban partnerships as a way to improve co-operation and regional identity, where urban and rural areas do not compete but co-operate. The more recent EU Territorial Agenda 2020 (European Union, 2011) confirms this approach and looks at rural-urban partnership as a tool for strengthening territorial cohesion. In the last 15 years, several projects and studies on this topic have been supported by the EU, including the Urban and Rural partnerships in Metropolitan Areas (URMA) and URBACT, a European exchange and learning programme promoting sustainable development, etc.

The new EU policy Framework for the Future (2014-2020) and the toolbox it provides will increase the opportunity to build rural-urban partnerships. The EU acts as a facilitator: national, regional and local authorities, like any stakeholder involved in rural-urban partnerships, will have to make the best of all these opportunities. Some suggestions for achieving this are summarised below.

First: Take advantage of the EU integrated policy framework

The new Common Strategic Framework (CSF) enhances co-ordination of policies and of funding. The support for integrated sustainable urban development will be increased, with a minimum threshold of 5% of the European Regional Development Fund (ERDF) spending in each member country. These investments should take into account the need to support urban-rural linkages and also target peri-urban areas.

It is important to make use of the available rural-urban policy instruments and the adoption of an integrated approach both in the partnership agreements and in the operational programmes of the ERDF and the European Agricultural Fund for Rural Development (EAFRD). These national and regional documents should match the EU strategic document (CSF) and integrate its priorities. Targeting rural-urban co-operation should be done at the early stages of the programming process. For example, the ex ante territorial diagnosis of the national partnership agreements might present the scope for rural-urban co-operation. This way, countries could better exploit their territorial potential by using the opportunity to integrate different funds (e.g. cohesion funds and rural development funds) through the partnership agreement.

Second: Take advantage of the concentration of EU structural policies on a few key themes

Among the priority themes provided by the CSF support opportunities offered by the EAFRD and the ERDF regulations, the following could be particularly useful for rural-urban partnerships:

Use the EAFRD for:

- promoting access to information and communication infrastructure (e.g. fast and ultra-fast broadband and mobile phone coverage) in rural areas
- promoting farming products in local (urban and town) markets
- promoting short supply chains (a priority for sub-programmes in draft regulations)
- promoting ecosystem services (e.g. water management)

Box 6.1. **Make the best use of the EU policy framework and its territorial tools** (*cont.*)

- promoting basic services to the population(possibility for basic services to be implemented by one or more municipality).

And use the ERDF for:

- promoting better accessibility of rural and peri-urban areas to transport
- developing links and synergies between enterprises in urban and rural areas
- promoting the production and distribution of renewable energy sources, e.g. bio-based fuels produced in rural areas and consumed in urban areas
- protecting, promoting and developing the cultural and natural heritage of peri-urban areas for mixed use by local and urban inhabitants.

One priority is to improve the access of rural and urban places to all kinds of services (in particular health, education, transport and ICT infrastructure). Access to amenities and services of each area that can foster economic development should also be promoted. This would help counter the trends of socio-economic decline in some remote areas and to face demographic challenges (ageing, depopulation, etc.), particularly in sparsely populated areas.

Third: Choose the most appropriate EU tools for building rural-urban partnerships

The EU framework promotes an integrated territorial approach, and most of its tools could be designed for the benefit of rural-urban partnerships. A list of these tools is presented below.

- Community-Led Local Development (CLLD): Rural-urban partnerships can now be funded through the CLLD. This instrument has been introduced in the new EU framework by extending the LEADER method to both urban and rural areas and to different funds (particularly the ERDF and the European Social Fund, or ESF). The LEADER approach proved effective for many years in mobilising territorial resources. Possibilities of applying this approach are now open with the CLLD. In this way partnerships could be created in mixed areas and benefit from CLLD support under several ESI funds. This tool can also support co-operation between several partnerships. For example, it gives the possibility for local action groups in rural areas, with the EAFRD as funding leader, to co-operate with public-private partnerships of a non-rural territory, establishing an integrated development strategy. Consequently, cities and agglomerations could be added to the current rural-small town partnerships at the scale of functional regions.
- The EU Network for Rural Development (ENRD): The ENRD could be extended by adding rural-urban co-operation to its priorities: good practices of rural-urban partnerships could be disseminated; thematic groups on the economic linkages between rural and urban areas could be set up with a view to exchanging expertise; networking between technical support bodies for local development, set up by the different funds (EAFRD, ERDF, ESF and the European Maritime and Fisheries Fund, EMFF), could be implemented.
- The draft EAFRD regulation provides opportunities to target specific needs (e.g. short supply chains, young farmers, etc.) or areas (e.g. mountainous areas) through the implementation of thematic sub-programmes.
- European territorial co-operation programmes and, in particular, transnational co-operation programmes, will pay more attention to integrated territorial development in the future; this can also be useful for cross-border areas.

Box 6.1. **Make the best use of the EU policy framework and its territorial tools** (*cont.*)

- Integrated territorial investments (ITI): this new instrument offers the possibility of combining different axes of an operational programme or axes of several programmes to implement integrated territorial strategies. The territorial unit is not specified, making it possible to support rural-urban-partnerships at the level of functional regions. Funding was originally restricted to the ERDF and the ESF, but recent negotiations have opened it to the EAFRD and the EMFF, making the ITI instrument highly beneficial for rural-urban partnerships.
- The territorial pacts and the local initiatives for employment supported by the ESF could also be opened to rural-urban partnership: the projects based on such partnerships could particularly focus on better accessibility of rural population to social services and the creation of new jobs in the areas of the environment and renewable energy.

For all these tools, sub-delegation mechanisms are a possibility for intermediate bodies at sub-regional level. Using such sub-delegations, which facilitate proximity management, could be encouraged for rural-urban projects.

Fourth: Help practitioners make use of the new tools

Many practitioners have experienced rural-urban partnerships in the previous and current EU frameworks and are used to their practical rules and management conditions. The transition to the new framework and toolbox must next be organised and supported. Helping practitioners ensure the transition to the new system also requires EU support for territorial engineering: enhancing the capacity to propose projects and mobilise all kinds of resources; identifying and explaining the new rules for management and accounting systems. In the case of multi-funded rural-urban projects, all funding sources should be aligned to facilitate management. This also requires specific methods to be developed and disseminated.

Fifth: Facilitate the exchange and dissemination of knowledge and good practices

Collective learning requires analysis and dissemination of research results (e.g. from European Spatial Planning Observation Network, or ESPON, rural-urban projects) and dissemination of good practices. Lessons from past experiences can help identify the advantages and also the limitations and bottlenecks of some methods, regarding the formation and management of rural-urban partnerships. This collective learning will help new potential candidates from rural and urban areas find their place in the different networks and use the new EU territorial tools efficiently. The ESPON initiatives could have a role in supporting policy making on the topic of urban-rural relationships.

Encourage the participation of different government levels in rural-urban partnership, to achieve a better policy integration

Encourage policy makers at the different government levels and across different departments to promote the participation of government officials in the co-ordinating bodies, e.g. working groups, pillars, or expert forums of rural-urban partnerships. The case studies reveal that rural-urban partnerships are facilitating policy integration and policy coherence through the work of their co-ordinating bodies. Groups operating within the partnership help promote co-operation and collaboration among levels of government. For example, the G21 Alliance, Nuremberg Metropolitan Region, Rennes Métropole and the BrabantStad, offer a strong platform. They bring together policy officials from a range of policy fields (e.g. environmental, rural development, agricultural, regional) to design

and discuss strategic initiatives. In the BrabantStad, this happens through a working party and a steering committee made up of senior representatives from the Cabinet, executives of the cities, and the province. These groups ensure engagement at a high level and help participants think through problems and solve conflicts.

Ensure alignment between regional strategies and plans devised locally to encourage stakeholder involvement

Regions should act as interfaces between the operational projects designed at local level and the political decision making at central level. This can be done by increasing awareness about the reality and benefits of the interdependency between rural and urban areas (knowing why); promoting collaborative strategies; and explaining how rural-urban co-operation could contribute to the achievement of joint policy objectives (know-how). These incentives can be particularly useful for creating positive conditions for bottom-up partnership processes. In some cases, regions have the authority to intervene directly in creating partnerships and to play an active role in their design, co-operating with all stakeholders. At a minimum, if the partnership approach is top-down, the region should promote institutional dialogue with local actors.

Due to the supervisory and strategic role assigned to regions in many countries, regions can provide the territorial vision and organise flexible strategies facilitating rural-urban partnership. Playing, in most cases, a key role in the elaboration of spatial strategies and plans, regions should provide long-term objectives and clear and coherent project orientations. An important risk for regions is to ensure that concentration in large urban hubs does not leave smaller towns and rural areas too isolated and allow uncoordinated use of land and natural resources. In the Polish case study (Central Zone in West Pomerania), regional contracts are established by the central government to encourage rural-urban co-operation. With these contracts, the region receives a specific budget for major needs in terms of public services (e.g. road infrastructure, healthcare and education facilities). This provides a basis for rural-urban co-operation, since it facilitates better vertical co-ordination and objective alignment across levels of government (OECD, 2007). In the case of the EU, it also facilitates the link between EU and regional support to partnerships, since one of the purposes of these contracts is to manage the EU structural funds.

Promote an enabling environment for rural-urban partnerships

Develop trust and a shared vision of the territory

Lack of trust is an important factor that can slow, rather than stall, the emergence of a rural-urban partnership. In countries that lack long-standing traditions of co-operation, particularly across rural and urban spaces, the partnership may not immediately produce good results, because there is mistrust among the actors. However, as the findings from Australia and Germany illustrate, such initiatives can still be effective, as they create incentives for co-operation and favour building inter-institutional relations based on trust. Policy makers need to develop strategies to foster appropriate forms of social capital as a key mechanism for promoting more effective organisational learning and innovation. In Nuremberg, the various policy forums created by and for the Metropolitan Region took on "consensual, 'easy' issues" to build regional trust, localised social capital and shared identity for future governance. This provides some indication of the steps that can be taken.

A shared vision for the territory is crucial at all levels of the regional community. Awareness of territorial identity and common territorial challenges has been shown to be important both in this report and in previous research (Artmann et al., 2012). Building a shared vision can be pursued by education initiatives and by using facilitators to bring the urban and rural dimensions together. Small-scale initiatives, such as common projects between urban and rural schools, can help in the long term to overcome cultural resistance to co-operation. Such initiatives can be promoted and carried out locally.

Ensure that the legal framework does not prevent the formation of rural-urban partnership

The institutional and legal framework can sometimes become an obstacle to co-operation. This can sometimes introduce zero-sum competition games when co-ordination could lead to more positive outcomes. A lack of interest in co-operation may induce institutional "rigidity", or a tendency to work in isolation without attempting co-ordination. The US case study provides an example where the local tax policy hindered partnership between urban and rural areas that wanted to co-operate.

A favourable framework and incentives are important in promoting inter-municipal (horizontal) co-operation to support goals such as economic development, delivery of services and land-use planning. Incentives from the central level may become necessary when municipalities are reluctant to co-operate. These can be useful when this reluctance is deeply rooted in history. The example of Rennes Métropole in France shows, in a context of a mature culture of collaboration, a high degree of top-level political will translated into financial incentives: an additional grant from the central government (added to the basic national grants) is provided to groups of municipalities if they join a *Communauté d'agglomération*.

Financial incentives should be carefully considered to avoid rent-seeking and dependency

Incentive packages, including financial support and particularly start-up funding, is an option for central governments. The United Kingdom, for example, recently adopted a policy framework inviting different stakeholders, from local authorities to local businesses, through financial incentives, to pool ideas and resources around common projects. The goal was to design strategies to foster local economic development around functional economic territories, through local enterprise partnerships (Baker, 2012).

Funding can be necessary to cover high transaction costs when co-operation is hampered by institutional or cultural constraints. In the majority of the case studies discussed in this report, financial incentives were in place to help the formation and the functioning of the partnership. Yet rural-urban partnerships should not be always fostered through financial incentives. The best partnerships are based on shared interests and common objectives. On the whole, partners work on specific goals (e.g. landscape, territorial promotion, agro-food chains, etc.) because they find it advantageous. Nevertheless, in some cases, external financial incentives can result in a worthwhile co-operation. Below are some examples:

- First, partnership might be blocked by institutional and cultural rigidities that cannot easily be changed by other regulatory reforms. For example, in trans-border co-operation, transaction costs for partnering can be high and may depend on both legal and cultural issues (e.g. language differences).

- Second, multipurpose/integrated partnerships may need initial financial stimulus. Co-ordination needs resources. When the partnership aims at a truly integrated approach combining different actions and policy issues, financial incentives can help start the partnership, which would otherwise probably not occur, given the complexity of the process and the transaction cost.
- Third, for some inter-municipal co-operation initiatives, incentives may be necessary to make partners co-operate to account for the production of externalities that would not otherwise be considered. Certain forms of co-operation fall into this category, such as land-use co-ordination to avoid sprawl or co-operation for the production of ecosystem services (e.g. fostering urban agriculture, managing water resources, etc.).

Financial incentives can help create rural-urban partnerships, but they also create challenges. The first is rent-seeking behaviour. As incentives get bigger, the odds grow that the partnership may be created simply to capture rents. Instead of helping achieving common development objectives, external incentives may shape actions based on the availability of funding rather than the original purpose of the partnership. A partnership needs to focus on achieving its goals rather than following some other agenda.

A second challenge of financial incentives is the risk of dependency. On the whole, incentives should be temporary and decrease gradually over time. They should generally help in forming the partnership, which should then be able to become self-sustaining. Of course, the duration of this type of support may vary depending on the purpose of the partnership. Those that need more time to start and to see the first results – e.g. those aimed at building soft factors or some trans-border co-operation initiatives – may need help for longer.

Encourage the involvement of the relevant urban and rural stakeholders by promoting a fair partitioning of voting rights within the partnership

To be effective, rural-urban partnerships should include all the relevant urban and rural actors. These can sometimes be deterred by the fear that their voice will not be strong enough within the partnership to influence decisions. A fair partitioning of voting rights between the members of the partnership can be important to motivate key actors, especially – in the case of inter-municipal co-operation – the smaller ones. Regions can help ensure inclusive rules between all kinds of stakeholders, but a key role is played by the members of the partnership directly in its design phase. To involve all the relevant actors, the Nuremberg Metropolitan Region designed a voting mechanism based on the principle of "one voice, one vote", to allow an inclusive decision mechanism. The EU LEADER programme is another example where private partners make up at least 50% of the partnership and have an equal say in the voting on project selection.

Clarify the partnership objectives and related measures to improve learning and facilitate the participation of key urban and rural actors.

A mechanism to sustain rural-urban partnership and to promote effective co-operation is to measure how the partnership meets the set objectives. The measurement issue is not straightforward, and there is no "optimal" design for a performance indicator system (OECD, 2009). However, measuring performance is important to justify any support given through incentives, but also – and even more – to promote learning and increase accountability. By using indicators and monitoring the results of co-operation, stakeholders have access to information that was not previously available: on the

effectiveness of strategies initially decided on, on the capacity of the involved actors, on the things that may be added or changed, and on the feasibility of the objectives. In addition, monitoring can help partners learn how to best design policy, by making possible a process of trial and error. Finally, the monitoring and evaluation for rural-urban partnerships should move towards an integrated approach that takes sectoral complementarities into account, and also makes increasing use of outcome measures.

Set evaluation criteria that promote the engagement of urban and rural stakeholders

Measuring performance entails several challenges. First, rural-urban partnerships – in particular those with a holistic and multi-sectoral approach – pursue objectives that emerge only in the medium to long term. In addition, a trade-off exists between the need to monitor and the fact that what is measured can be just a proxy. In assessing performance, quantitative indicators cannot always be an appropriate way of measuring regional development issues, which are complex and include a wide set of interrelated sectors, actors and processes. Consequently, if the measure of success is strictly linked to quantitative indicators, the long-term developmental progress of the partnership can be lost. To overcome these challenges, some recommendations can be made regarding the choice and use of indicators.

- Qualitative measures should also be promoted.
- Set only a few objectives for the short, medium and long term. Simple and relatively easy short-term goals can encourage co-operation and motivate stakeholders in the long term.
- The choice of indicators should be defined in co-ordination with levels of government.
- Promote continuity of measurement criteria and indicators in order to allow policy assessment to be carried out consistently over time, without becoming too dependent on political cycles.

Other challenges associated with the use of performance indicators for rural-urban partnership include dealing with the complexity of the monitoring activities, the bureaucratic burden and the capacity needed to deal with measuring performance. These costs are likely to discourage many stakeholders from initiating co-operation. The following arrangements can help rural-urban partnership:

- Restrict the number of indicators, but make this decision *ex ante*, since the co-operation process starts by defining the main objectives. Monitoring activities can represent an additional burden that may discourage co-operation. Requirements that are not strictly necessary should be relaxed, and only a few measures that most facilitate the learning process and actors' accountability should be used. However, these measures must be made clear from the beginning of the co-operation process.
- Evaluation should be proportional to the scale and scope of the project of rural-urban co-operation. Small projects – and also any financial incentives in place – need to be addressed with light monitoring.
- Promote transparency. One way to achieve this is to set an open data system at various levels of government. This consists of clarifying responsibilities for information management and collecting information in a way that supports their

use and dissemination. Using data standards and readable formats can help in this respect.

Set clear and realistic objectives, tailored to place specificities

Rural-urban partnerships often pursue aims that are not well understood or too ambitious. This can lead to the failure of the partnership and complicate further attempts at co-operation. In addition, the distribution of benefits for the partners may be not clear enough when the decision to co-operate is taken. This can make it difficult to distribute benefits afterwards, and create difficulties in the continuation of the co-operation. It is important to set clear and realistic objectives at the beginning of the process, without too much ambiguity about how each partner benefits from the achievements of such goals. In the BrabantStad case, a partnership of five cities supported the candidacy of one of them, Eindhoven, as European Capital of Culture, through a common understanding of how the ultimate benefits could be shared among all of them. However, it should be recognised that a partnership may benefit partners to a different extent and on different time horizons.

Help and assist rural-urban partnerships in assessing results and provide information and knowledge about the territory

The case studies revealed a general lack of monitoring and evaluation activities in rural-urban partnerships. This can depend on the capacity or resources necessary to carry out these activities. Regional and national governments should help the members of the partnership assess the results. The region should provide capacity and technical assistance to help the partnership assess performance and foster learning. Collecting data at sub-territorial level may prove a useful contribution to the design and implementation of better policies.

Facilitate the exchange of good practices and knowledge

Experiences of rural-urban co-operation should be disseminated effectively and across different policy areas. Particular focus should be placed on concrete experiences that adopt a holistic approach and integrate different policy fields. Support for networks of stakeholders responsible for rural-urban partnership could help facilitate an exchange of knowledge on the topic. Innovative pilot projects could also be promoted, where partnerships could benefit from "tutoring" by other stakeholders with successful experiences. More generally, existing and future knowledge on rural-urban relationships might be fostered by establishing platforms to share experiences and good practices of rural-urban partnerships. This includes promoting visibility of rural-urban co-operation projects, favouring research on the topic, building networks of scholars and practitioners and organising events for the dissemination of knowledge and experiences acquired nationally and internationally.

Directions for further research

Substantial differences between urban and rural areas in terms of size, resources and dynamics have been found to complicate interactions, and especially co-operation, between urban and rural actors. Such differences are also reflected in the classification adopted in this report between metropolitan regions, networks of small and medium-sized cities and sparsely populated regions with market towns. In each category, the urban-rural dynamics can change, as can the nature of the assets in urban and rural areas. This report

has described some of the peculiarities observed for each type of region in terms of purposes and other characteristics of the partnership. Further and more detailed research on the specificities of rural-urban interactions in the different types of regional structures could help to increase the effectiveness and sustainability of rural-urban partnership in each context.

Several aspects of the characteristics and the dynamics of rural-urban partnerships that have been touched on in this report may deserve a specific focus, to fine-tune this tool to improve regional development. Among such aspects are the interactions of the partnership with citizens, and the role of the private sector. The cases studies analysed in this report considered rural-urban partnerships where the role of public actors was often dominant and where private ones were not always present. A deeper understanding of the mechanisms that can connect private actors (e.g. businesses) and civil society would certainly increase the potential of rural-urban partnerships to enhance the development of both urban and rural places and people.

This report focuses on the relationships between urban and rural areas in OECD countries and on the way these relationships are managed through rural-urban partnerships. Outside the OECD, however, especially in countries that are experiencing rapid urbanisation, the urban-rural dynamics are likely to be different in several respects: in the intensity and degree of symmetry of the flows, in the implications of the linkages, and in the ways of managing them. In the rapidly urbanising developing world, socio-economic differences between urban and rural areas are greater than in the developed countries. Large differences between urban and rural territories and in their dynamics can lead to large differences in their interests. In this context, the ways of managing the integration between urban and rural areas are increasingly complex and focus on particularly relevant aspects, such as demographic flows and access to jobs. Further research could shed light on the peculiarities of the rural-urban interactions in the developing world.

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Part II

Rural-urban partnership in practice: 11 case studies

Chapter 7

Australia: Geelong Region Alliance (G21) – Geelong

Summary and conclusions

Main findings. (1) Geelong Region Alliance (G21) is a rural-urban partnership involving five district councils focused on economic and spatial planning. (2) While it is close and strongly connected to Melbourne, it has identified a self-contained territory slightly larger than the corresponding labour market area. (3) The impetus behind the co-operation was the need to advocate and negotiate with all the government levels to access resources. (4) By adopting a regional perspective and by constructing strong supporting evidence, G21 has been able to establish a successful record of bringing funding back into the region. However, these policy interventions are not always in sync with the priorities of the rural communities. (5) The future of the G21 may require significant re-engagement with agricultural competences, as well as increased involvement with the business community, to further exploit the potential in the region. (6) Certain factors made the partnership successful, including a strong understanding of the interdependence of rural and urban areas and an inclusive governance system that enables rural and urban members to engage equally. A few factors are potential roadblocks to growth, including a financial situation oriented to subsidies and the lack of a more coherent strategy to link economic development and spatial planning.

Territory under analysis. The region covered by G21 has a population of 290 000. It encompasses five districts in the state of Victoria, Australia. The city of Geelong – the second-largest in Victoria, after Melbourne – is the main urban area in the region and home to some 200 000 people. The region is slightly different from a labour market area. It encompasses the whole labour market area of Geelong and parts of two others. The spatial extent of the partnership seems to be affected by the distance among municipalities, which – given the substantially informal type of co-operation – should be close enough to facilitate meeting and direct interaction. The region is an important manufacturing and logistics pole. It is surrounded by a mix of predominantly rural areas specialised in farming and smaller cities with residential and tourist functions. The Geelong region attracts workers from the Melbourne metro-area and also employs a large part of its own labour force.

Historical background of the partnership. The regional alliance G21 was created on a voluntary basis to co-ordinate regional actions, lobby upper tiers of governments and compete for grants provided by the state and the federal governments. G21 exists as an independent corporation owned by the five district councils. Currently, G21 is in charge of defining a strategy to transition the regional economy from its traditional activities – manufacturing, above all – which are declining; to promote a knowledge-based economy with a strong international image and to benefit from international tourism. By adopting a regional perspective and by constructing strong supporting evidence, G21 has a good track record of bringing funding back into the region.

Partnership activities. G21 is in charge of developing strategic spatial and economic plans for the region and is organised in eight thematic "pillars". Each pillar gathers key decision makers and observers from the state government and works as a forum for making connections and knowledge exchange. Each pillar presents a strategy and identifies key priorities for investment. G21 has been designated as a strategic planner for the region by both the state and federal governments, which enables it to deal directly with government agencies. G21 makes the functional region more "legible" to the state and federal governments. From this perspective, G21 helps higher-level authorities "read" localised investment priorities and local political landscapes. From this vantage point, G21 is also able to advocate and lobby in favour of the G21 functional region.

Future challenges. Population increase, a changing industrial mix and increasing connection with Melbourne are helping G21 transition towards a new economic equilibrium. This points to the following key challenges. First, G21 should link spatial and economic development planning in a coherent framework. At present, the growth strategy and the spatial strategy engage too uncritically with international best practices (smart growth, sustainability, compact growth, in planning studies; high-tech growth clusters, in economic development circles), missing out on home-grown approaches derived from local skills and traditions. Second, the G21 has per se operated – and continues to operate – principally as an important, if distressed and probably fragile, sub-region within the Melbourne metropolitan region. This has implications for how rural-urban partnerships and linkages should be assessed and evaluated within the region itself. Third, investment priorities set by G21 are often influenced by available funds rather than actual local needs. This is most evident in rural communities. Finally, G21 should improve its visibility in the region to attract the private sector and engage civil society.

Regional overview

Territory under analysis

The territory under analysis is the functional region of Geelong (hereinafter "G21"), a network of five local governments representing medium-sized cities, small towns and rural areas located in south-western Victoria, between 75 and 160 kilometres from Melbourne. A mix of rural, residential and resort areas with industrial and commercial and use, it covers 8 944 km². The city of Geelong, the second-largest city within the state of Victoria, is the largest urban pole. The rest of the population is scattered across the smaller municipalities of Colac Otway Shire, the southern half of Golden Plains Shire, the Borough of Queenscliffe and Surf Coast Shire.

Table 7.1. **Basic statistics on different territorial definitions in the region of Geelong (2011)**

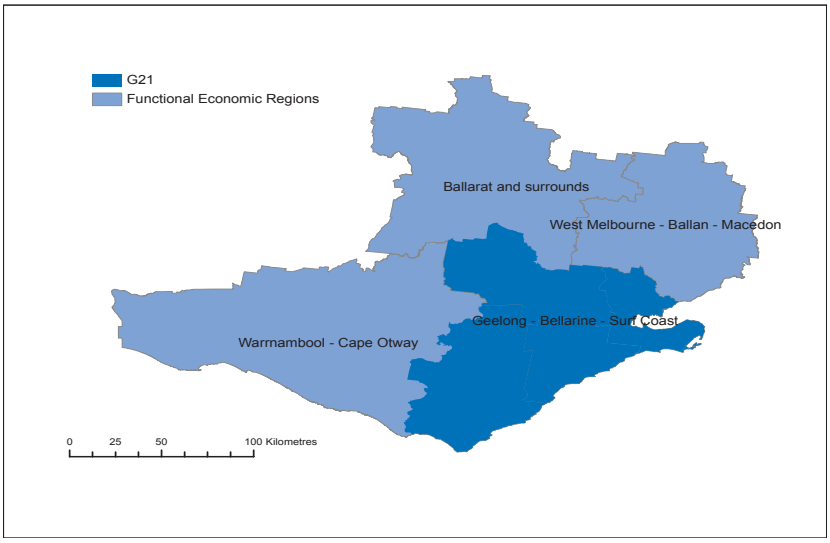
Territorial level	Population	Area (km²)	Population density
City of Geelong	215 151	1 247 km²	1.56
Borough of Queenscliffe	3 054	9 km²	3.82
Surf Coast Shire	26 493	1 552 km²	0.13
Colac Otway Shire	20 578	3 433 km²	0.06
Golden Plains Shire	18 917	2 703 km²	0.06
Urban areas	**223 382**	**1 247.1**	178
Rural areas	**66 895**		8.7
Functional region of Geelong	284 193	8 944.5	32.45

Source: OECD (2012), "Rurban background report", unpublished; G21 Geelong Region Alliance (2012) *G21 Region Economic Development Strategy*, ACS Group, www.g21.com.au/sites/default/files/dmdocuments/G21%20Economic%20Development%20Strategy%20v1.0.pdf; and Australian Bureau of Statistics (2012), "Reflecting a nation: Stories from the 2011 Census", Commonwealth of Australia, Canberra, www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/2071.0Main%20Features12012–2013?opendocument&tabname=Summary&prodno=2071.0&issue=2012–2013&num=&view=.

The territory covered by G21 is slightly larger than the spatial boundaries of the labour market area of Geelong. According to the identification of labour market areas, called Functional Economic Regions (FERs) by the Australian Centre of Full Employment and Equity (CofFEE), G21 encompasses an area that falls in three different FERs. More specifically, G21 covers the entire FER of Geelong – Bellarine – Surf Coast and portions of other two FER located in the northern and western side (Ballarat and Warnambool-Cape Otway). Geelong is only 75 kilometres from Melbourne, and there are large commuting outflows from the region, especially from its northeastern part. In addition, the northern portion of the Golden Plains Shire is more functionally integrated with Ballarat in terms of commuting and retail flows. A strong labour market interaction is not the only criterion to justify an interest in partnering with G21, but it seems to play an important role. The boundaries of G21 are also driven by physical proximity. Given the informal nature of the co-operation process, municipalities should be close enough to facilitate meeting and direct interaction.

The relative proximity of Geelong to the Greater Melbourne region encourages economic interactions. In fact, 14 309, or 11.6%, of the G21 Region's working residents commute daily to Melbourne. State and federal governments have also invested heavily in transport infrastructure between Geelong and Melbourne, which has increased flows between the two cities. However, the city of Geelong has evolved as a key service and employment centre for the region. Geelong's economy has become more diversified in recent times, and increasingly complex public and private services are located in the city. Population and industry development has also increased in rural areas of the region. For example, the population of Surf Coast has grown over the past two decades, with an increasing number of people commuting to Geelong for work (OECD, 2012; Australian Bureau of Statistics, 2012).

Figure 7.1. **Labour market areas (FERs) and G21**



Note: This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

Source: based on background report and Centre of Full Employment and Equity.

Socio-economic profile

Due to the large size of the region, population density is quite stable and low, with about 32 inhabitants per square kilometre (2010). Regional population is also relatively young, with 84% of inhabitants under 65. However, the G21 population of close to 290 000 is increasing more rapidly than that of regional Victoria (a definition which excludes Greater Melbourne). This increase, at the average ratio of 1.30% per year since the mid 1990s, is particularly acute in urban areas such as the city of Geelong, and – even more intensively – in rural areas that are well connected to the transport network (Golden Plains) or have high-value natural amenities (Surf Coast). Demographic growth is expected also in the long term. For instance, by 2026, the city of Greater Geelong, according to its own projections, can expect a population increase of 30%, Surf Coast Shire of more than 50% and Golden Plains of 40%. The contribution of foreign migrants to demographic increase remains moderate. Overall, the population of the region is projected for planning purposes at 500 000 by 2050 (G21, 2011). The demographic trends

also reflect relocation within the region. According to the 2011 Census, approximately 90 000 people changed their address within the G21 over the previous five years.

Table 7.2. **Geelong Region socio-economic indicators**

	G21	Australia	OECD
GDP per capita (USD, PPP), 2011	n.a.	37 257	30 564
Unemployment rate (%), 2011	5.2	5.1	7.9
Elderly dependency rate (%), 2010	24.4	20	22.1
Patent applications per million inhabitants, 2010	75.3	81.3	107.7

Source: OECD (2012), "Rurban background report: Geelong Region Alliance", unpublished; OECD (2013), *OECD Regional Statistics* (database), http://dx.doi.org/10.1787/region-data-en; Australian Bureau of Statistics (2012), "Reflecting a nation: Stories from the 2011 Census", Commonwealth of Australia, Canberra, www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/2071.0Main%20Features12012–2013?opendocument&tabname=Summary&prodno=2071.0&issue=2012–2013&num=&view=.

Increasing numbers of commuters are choosing to live in the Golden Plains Shire, an area well connected to the cities of Geelong, Ballarat and Melbourne, so they can access the urban labour markets and urban services, and at the same time enjoy a country lifestyle. For similar reasons, affluent dwellers tend to concentrate along the coast in beach communities, such as Torquay and Ocean Grove, which offer outstanding natural amenities and are still relatively close to main urban poles, including Melbourne. Journey-to-work data provided show that due to the location of important industries in the city of Geelong, the region has a strong self-containment rate.

The Geelong region features a declining specialisation in manufacturing, mainly in the city of Geelong, and a diversified economy with strong representation from agriculture, retail, tourism and health. In particular, the coastal settlements provide the assets for tourism, and the rural centres support agriculture. The G21 has been able to diversify its previous manufacturing-based jobs, located mainly in the main urban centre, with jobs in other sectors, including tertiary activities. Between 2006 and 2011, over 13 000 new jobs – in healthcare and social assistance, construction, education and training, and accommodation and food services – were created in urban and rural areas. The majority of these new jobs are located in the city of Geelong and its immediate surroundings. Nonetheless, manufacturing activities, though far less labour-intensive than in the past, are still important, representing 20% of regional value added (with 500 manufacturing companies, employing around 14 000 people).[1]

The G21's unique local assets, based on natural amenities and traditional skills, have been a key driver of employment creation in rural areas. Municipalities along the coast have developed niche tourism. For example, the Surf Coast Shire is considered one of the top world destinations for surfing. Surfing communities have developed a lifestyle adopted by the apparel industry and created global brands such as Quicksilver and Rip Curl, which still have an important local presence. In addition, other rural areas in the mainland are now thriving, due to large-scale dairy firms. Local producers are bigger and have invested in improving the productivity of their farms, so that they are now able to serve a large export market that extends to China and other Asian countries.

Strengths and challenges of the region

The G21 performs well socio-economically, with a good level of integration between urban and rural economies. The region continues to attract new residents, despite the

relative decline of the manufacturing sector, and the pressure on local labour markets is being buffered by new job opportunities and also by rural hubs in sectors such as cereal production, food processing, wineries, herding, tourism, etc. The region is well positioned to promote knowledge-based industries, regional accessibility and upscale international tourism. The region's expanding population and close proximity to Melbourne present a large home market for firms. New development opportunities could also depend on increased regional and international accessibility. The G21 is currently improving its functional linkages with Melbourne. Better transport links with Melbourne have attracted new residents to the region, including in rural communities. Unlocking and sustaining this potential will not be easy, nor will it necessarily ameliorate many of the most stubborn economic, social and spatial problems the region faces (McDonald et al., 2009).

The G21 region does have areas of significant disadvantage, with clusters of unemployment and low education levels in certain regions (e.g. North Geelong, North Shore). In addition, the working age population includes a high proportion of workers who are both younger and near retirement age. The main challenge, however, is to manage regional growth, organise the identified economic drivers and orient them to achieve the new development targets. Geelong is transitioning away, though not wholly delinking, from its agricultural and manufacturing heritage. Demographic trends present some challenges for urban growth management, particularly in identifying strategies that rationally link various kinds of settlement preferences to alleviate common territorial problems: congestion; sprawl; pollution; gentrification; long commutes; mono-functional development; spatial mismatch, etc.

Partnership purpose and characteristics

The G21 rural-urban partnership boasts a strong rural-urban connection, with strong institutional competence, governance culture and modes of decision making. Top-down efforts, in this case the reorganisation of local government, transformed the bottom-up reorganisation into a partnership. In the 1990s, the state of Victoria decided to reduce the number of municipalities to ease spatial planning, and to reduce the cost of public services by increasing their size. The number of local governments in the state fell from 210 to 79; in the Geelong region, it fell from 12 to 5. Most of the smaller district councils were amalgamated into the city of Geelong, making it the largest. As part of this process, regional planning commissions, organisms that provided an opportunity for local governments to engage in co-ordination, were terminated. After these changes, the city of Greater Geelong recognised that the city and the region as a whole would need to better organise its communication and lobbying activities with the upper tiers of government. The city of Geelong used this initiative as the foundation to build a formal collaboration framework.

In Geelong, the partnership process was driven first by non-elected administrative officials in the district councils and then later embraced by elected officials. The model for the partnership, a focus on creating "liveable cities", was proposed by the Chief Executive Officer (CEO) of the city of Greater Geelong. A broader alliance was needed because the premise, the creation of "liveable cities" based on education, lifelong learning, health, well-being, transport and communication, touched on issues common to all. The strategic design for the alliance and way forward were developed by an "executive table" of directors appointed by the CEOs of the five district councils. Initially, not all rural districts were convinced they could derive benefit from such an alliance. However, a series of community meetings, coupled with the leadership by the

city of Greater Geelong and a proposed structure of equal representation that began with their involvement in the "executive table" discussions, all served to confirm the value of the partnership.

For the rural districts, this represented a "compelling model for smaller local government entities", as it allowed a council with lower capacity to join forces with a council with a higher capacity. The administrative officials from each of the municipalities decided – on a voluntary basis – to co-ordinate their strategic planning (cross-jurisdiction issues). For example, Golden Shire agreed to join the partnership because it would allow stakeholders to respond better to local issues (e.g. intensive agricultural interests) that, in their view, were best dealt with at a higher scale. One problem addressed through the partnership was the encroachment issues related to agricultural land and town expansion. The response needed significant infrastructure planning, with input from different levels of government. This happened by leveraging the relationships in the partnerships to form a coalition and a plan. Similarly, drought in the region is an issue for all five districts; work undertaken through the partnership resulted in ways to secure the water supply and develop better water-use management strategies.

The partnership's primary aim is to act as a platform for the region to speak with one voice to all levels of government. In Australia, state and federal grants are competitive and the priorities change frequently, so it is important to have knowledge of the needs of the territory, and the means to develop a package of proposals. G21 supports the delivery of projects that benefit the region across municipal boundaries and develops regional submissions for project funding by the state and federal governments. The state of Victoria has strongly encouraged such regionalism, particularly in the form of place-based partnerships that link governments with businesses, not-for-profits and community-based organisations. The partnership is well recognised by, and connected to, the state and federal government and was designated as the strategic planner for the region by both the state and federal governments, enabling it to deal directly with government agencies.

Partnership structure

G21 embraces a strong coalition leadership model that should be considered both consistent and political. The term political here refers to its ability to carve out and maintain a strategic relationship with federal, state and local governments. The core work of the organisation is ensuring that the leaders are on the same page and working towards the same goal. The G21 Board governs the work of G21. It is managed by a board of 15 people: the 5 CEOs of the member councils, 1 councillor from each of the local districts, and 5 directors elected by the members of G21 at the annual member meeting. The CEOs provide advice to the elected political representatives who are accountable for decisions, which require the consent of the five district governments. The partnership capitalises on the region of Geelong's political structure. Organisationally, local districts have elected councils, one member of whom is chosen to serve as mayor by his or her peers. In certain cases, district councillors run on party tickets of national political parties, although there are many independent councillors.

Funding is a challenge, because sufficient funds are not always available to realise projects. The majority of G21's financial support comes from the five municipal council members, its broader membership base and occasional government or community foundation grants. It is the directors' responsibility to manage the funds as well as

identify new funding streams. The contribution from each municipality is proportionate to the population. In practical terms, the city of greater Geelong covers 75% of the G21 budget, as the city accounts for 75% of the population, while the Borough of Queenscliffe, for example, contributes 1%. The G21 administration, a staff of three including the CEO, has a key role in this framework. The office is also in charge of harmonising and co-ordinating contributions from the pillars and developing possible interactions among them. The partnership relies on 300 volunteers, contributions of staff from the five councils. These volunteers are mix of council officers, government employees, community leaders and specialists who provide their services through the eight thematic pillars (see Table 7.3). Several working groups address key issues with pillar and non-pillar members. Membership is open to companies, co-operatives, associations and local, state and federal government agencies.

Table 7.3. **G21 Partnership structure**

Baron South West Regional Development Australia Committee							
G21 Board							
10 council-appointed directors			5 member-elected directors			Board-appointed CEO	
G21 ADMINISTRATION							
G21 PILLARS							
Sports and recreation	Environment	Transport	Health and well-being	Planning and services	Education and training	Economic development	Arts and culture

G21 WORKING GROUPS	
• ICT Geelong	• G21 Affordable Housing Taskforce
• G21 Agribusiness Forum	• Early Years Leadership Group
• G21 Regional Marketing Steering Committee	• Regional Research and Information Centre
• G21 Water Taskforce	• Social Connectedness Action Group
• Engineering Network Cluster	• Freedom from Violence Action Group
• BioGeelong	• Freedom from Discrimination Action Group
• G21 NBN Taskforce	• Service Co-ordination Working Group
• G21 Climate Change Taskforce	• Diabetes Clinical Network
• Environmental Leadership Working Group	• G21 Public Transport Reference Group
• Environmental Impacts Working Group	• Bicycle Infrastructure Group
• Natural Resources and Assets Working Group	• G21 Roads Working Group

The pillars reflect key priorities in the region, and each gathers a group of decision makers and subject experts, who meet on a regular basis and contribute to the design and implementation of the regional plan. Interaction in the pillars allows for engagement "at a high level," providing the opportunity to exchange information and discuss opportunities, obstacles and policy approaches. The capacity of the pillar to realise objectives hinges on the capacity of the pillar leader, a senior staffer from one of the municipalities or an elected councillor or expert from the G21 membership. The pillar bodies are multidimensional in make-up and approach; some are much more successful than others, for different reasons. For example, some are better able to identify funding sources, and some have elected officials as members, so they are able to gain access (and lobby) at a high level (e.g. education).

G21 partnership strategic planning role: Spatial, growth and economic development strategies

As the designated planning authority for the region, G21 is charged with leading the development of the regional spatial plans. These provide a framework for the five local district plans that provide the actual implementation guidance. The work of the eight pillar committees has provided G21 with a broad and integrated understanding of the key issues and interests across the region. This makes it better able to generate an integrated plan that bridges specific district concerns (Box 7.1). More recently, the partnership has also set out an Economic Development Strategy for the region that is meant to drive a new set of pillar-related activities and projects focused on economic opportunities. In carrying out this function, G21 has taken on a broader role than simply acting as a conduit for state and federal funding.

Box 7.1. Geelong Alliance Regional Growth Plan

The G21 Regional Growth Plan manages growth and land-use pressures to 2050. It identifies where future residential and employment growth will take place and the infrastructure required to support it. The strategic planning work done by G21 councils has mapped out a 20- to 30-year supply of zoned and strategically identified residential and employment land. Over the next 30 to 40 years, the G21 region is likely to reach a population of 500 000, which is consistent with the population target identified in the G21 Geelong Regional Plan. The key elements of the Growth Plan include:

- building on strategic assets and competitive advantages to support and manage growth across the region
- reducing pressures on agricultural areas and natural assets
- reinforcing the importance of Central Geelong as a vibrant and active regional city
- targeting infill and higher-density opportunities within existing urban areas
- planning for employment growth and population growth
- acknowledging the key role that Geelong and the G21 region play in relation to Melbourne, while preserving Geelong's identity as a separate settlement
- identifying the major infrastructure required to support a region of 500 000 and beyond.

Source: G21 Geelong Region Alliance (2013), *G21 Region Growth Plan*, www.dpcd.vic.gov.au/__data/assets/pdf_file/0010/145639/G21_Regional_Growth_Plan_-_April_2013_-_low_Res.pdf.

G21 Geelong Region Plan – A Sustainable Growth Strategy

The "Geelong Region Plan – A Sustainable Growth Strategy" is the foundation for all G21 activities and projects. Launched in 2007, it is the foundation document for investment in the region endorsed by the five councils, state and federal government. It identifies and addresses the challenges the region will face in areas such as environmental protection, settlement, land use, community cohesion and economic development. Planners for the G21 region anticipate an increase of about 210 000 inhabitants between 2010 and 2050 – with an aspirational population of 500 000. This projection in turn drives a strategy that can accommodate a large increase in population. The growth plan for people identifies specific links between industries and places within the G21. The

overall planning concept in Geelong is to distribute new growth pressures across both rural and urban municipalities and reduce commute times to Melbourne and Geelong. Four land-use strategies are the focus: planned growth (contiguous greenfield sites); strategic infill growth; employment precincts; and "incremental infill" in mature areas.

Box 7.2. **Geelong Region Plan – A Sustainable Growth Strategy**

The G21 Geelong Region Plan is a sustainability plan for the region looking toward 2050. It identifies and addresses the challenges the region will face in the areas of environment, settlement, land use, community strength and the economy. The plan was developed from 2006-07 and represents the work and opinions of hundreds of people and organisations, including G21 Councils, the state government and environmental, community and business organisations from the region. More than 35 consultation forums were held to seek advice and opinions from various regional interest groups. This consultation method represented an unprecedented level of regional collaboration for the G21 region. The strategy presents regional objectives that respond to the challenges and opportunities the region will face over the next 45 years. The plan delivers a strategic framework upon which the pillars and other stakeholders can prioritise and measure the success of their projects in moving towards the agreed vision for the region. Projects must support the short-, medium- or long-term objectives in the strategy and are owned and delivered by a variety of regional organisations. New collaboration and implementation pathways will be established and used by the alliance to secure support and resources for projects. This includes new processes for state and federal government engagement and better co-ordination of regional stakeholders, for greater efficiencies in advocacy, lobbying and network communications.

Source: G21 Geelong Region Alliance (2007), *The Geelong Region Plan: A Sustainable Growth Strategy*, www.g21.com.au/sites/default/files/resources/the_geelong_region_plan_a_sustainable_growth_strategy.pdf.

Table 7.4. **Targeted future outcomes for the G21 Region**

Attribute	Outcome of strategy delivery
Future population	>500 000 people
Labour force capacity	New range of skills – individuals are skilled in new areas and industries, with new skills being attracted to the region to assist in broader capability development of the labour force
Economic diversity	A diverse economy with a focus on industry, with strong flow-on effects
Cultural activity	A highly sought after region of choice, attracting visitors from outside the region
Innovation	Global centre of innovation and commercialisation
Infrastructure	Key strategic infrastructure is planned for and delivered ahead of time
Governance	Leading with shared strategic vision
Regional perception	Identified and recognised as a region of choice
Role and function	Provide high-level service centre alternative to Melbourne Central Activity Centre for Victoria

Source: G21 Region Economic Development Strategy (2012), ACS Group. www.g21.com.au/sites/default/files/dmdocuments/G21%20Economic%20Development%20Strategy%20v1.0.pdf.

The plan sets out the vision for the region, which is identified through the pillar projects. There are 52 pillar projects in different stages of development and 15 priority projects. When a pillar project becomes fully developed, and reflects a regional perspective and a funding source, it is recommended to the board as a priority and it becomes the focus for development. Since 2007, G21 has focused on the funding and delivery of projects and activities that contribute to the delivery of the plan. Major developments are therefore envisioned for Colac, Winchelsea and Bannockburn, for example, in the outer shires. Each will abut existing settlements, to avoid rural sprawl. But the majority of new growth, about 80%, is expected to land in the city of Greater

Geelong. The success of these plans has major implications for the efficiency and equity of the regional economy as a whole, even as the regional economy in turn has shaped the choices local planners and other officials have made.

G21 Region Economic Development Strategy

The G21 Region Economic Development Strategy seeks to complement the spatial strategy by focusing on what it would take to help the economy of the region transition from heavy manufacturing and create new and more numerous employment opportunities. The plan aims to develop and take advantage of the "strategic assets" of the G21 region to boost the region's competitiveness and achieve the future outcomes in G21. The strategy identified a series of "game-changing" initiatives as the most effective first step to move the G21 region towards a higher level of economic and industry growth. A series of unique projects with a defined start and conclusion, the Game Changers are intended to represent unique projects that make the most effective use of resources to deliver outcomes for the region. A project is unique if it is to deliver distinct and lasting regional benefits with a catalytic effect on the broader region; it cannot be readily implemented by local government or require cross-government collaboration and intervention; it will lead to further significant direct investment; and it has the potential to address regional issues/change perceptions (G21, 2013: 21).

Partnership strengths and weaknesses

The G21 rural-urban partnership is a strong rural-urban partnership that is making a difference by improving public governance and institutional capital, within the region and even beyond it. The spatial boundaries of the G21 emerge as appropriate to the aims of the partnership, since they include different urban and rural areas that are strongly linked in terms of labour market and other economic interactions. G21 identifies a large integrated territory whose main actors co-operate in order to be more competitive and to find increasing complementarities with the Melbourne metropolitan area. Despite the much larger size of the latter, G21 makes it possible to co-ordinate the spatial and economic planning of the partnering municipalities. This can allow the region to take advantage of its proximity to Melbourne, making the best of a forecasted increase in population in the coming years.

The partnership has helped regional players in various policy arenas overcome strong fragmentation incentives. Multiple informants highlighted the role of the G21 in forging co-operation between actors, most notably between the five municipalities but also between other regional actors. In addition, it was able to find a niche, an efficient way to capture funds from the state and federal government and use it to forge a strong information-sharing process adept at keeping the political class engaged. G21 helps higher-scale authorities "read" localised investment priorities and local political landscapes. Put another way, it provides valuable services to higher-level public authorities who need to know how to spend public money in justifiable ways (Stillwell and Troy, 2000). The partnership boasts strong information-gathering abilities and has been able to harmonise urban with rural needs. Trust between rural and urban actors in the partnership is strong and tends to generate a lot of social capital and opportunities for building stronger relationships among participants that carries over into daily work.

The partnership offers the chance to cut the red tape typically associated with bureaucratic systems by acting through the members of the pillars. Although integration across the pillars happens more at the Board level, it will be important to find ways to

facilitate more cross-cutting work across the pillars at their level. Projects, policies and agendas in effect across G21 space are rationalised in ways that save money, time and energy on an appreciable scale. Because the state is choosing to emphasise regional approaches and G21 was one of the first formal agreements in the country, it has had a disproportionate success rate in its applications. This success has strengthened support by the various councils and been emulated in other parts of Victoria and Australia. By adopting a regional perspective and constructing strong supporting evidence, G21 has been able establish a strong success record in bringing funding back into the region. In particular, the city of Greater Geelong benefits from the partnership because it brings broader support and opens opportunities for funding that the city alone might not qualify for. The four smaller members reap substantial benefits from being able to tap into the city of Geelong's strong technical and administrative capabilities in developing proposals. Further, the G21 makes the Geelong region "more legible" to the Victorian state and, to a lesser extent, Canberra.

Despite its strengths, the organism is juggling a number of factors, any one of which at any time could undermine the durability of the structure. First, the viability of the partnership is linked to its continued acceptance as a key entity, a so-called "one-stop shop" for any conversation about the region. This means it has to work diligently to stay politically relevant at every level of government, a hard task made even more so when political winds change. G21 is particularly vulnerable to political cycles (e.g. council, elections and state government). Its memorandum of understanding with each district council has to be renewed every four years. This adds some limitations to long-term strategic planning, as there is an ever-present need to engage with and convince newly elected officials of the role of the partnership. One can envision some hesitancy towards engagement if the platform of a newly elected official is not in line with the priorities of G21. This issue has been recognised as part of the risk management framework for the G21 alliance, and all incoming councillors meet with the CEO of the G21 alliance to be briefed on the role and function of G21. Further, the G21 process of developing pillar projects is long and complex, especially gathering financial support for projects.

A second factor that could present challenges in the future is linked to the first. This involves working to ensure that all partners and interests are satisfied and that an alternative forum does not displace G21 in relevance. Two strong business-focused entities, the 600-member Chamber of Commerce (CC) and the Committee for Geelong (CG), a 120-member think tank advocacy group involving CEOs in the business sector, co-operate with G21. G21 representatives sit on the board of the CG, and the CG is indirectly represented on the G21 board, and both are on the CC board. For instance, a civic or business leader may be part of the boards of multiple institutions within the region. According to informants, this "institutional thickness" is seen as a strength, because it improves flows of information between leaders in the region. However, while the G21 partnership is highly regarded by the business sector as a whole, some issues limit better engagement, such as the highly political nature of the partnership and the lack of an implementation function. Local firms and other stakeholders could provide new ideas for the economic strategy, which is strong on concepts but weak on specifics at present, because it was written mainly by consultants and government actors. In particular, the sectors identified as growth opportunities will require more specific implementation ideas. Fostering relationships with the business sector will be crucial, as the next phase of G21 is largely about economic development.

The final complicating factor is the ever-present risk of losing a partner, particularly the city of Greater Geelong. The principle of "one voice, one vote" ensures equality, as

each municipality has an equal vote. At present, the majority of the technical support is provided by the administrative staff of the five councils, but the city of Greater Geelong provides most of this as well as the funding, due to its size and resources; a decision that it should leave would have far-reaching consequences. Informants indicate that the disproportionality in contribution can occasionally be a source of tension. However, there is recognition from the four smaller councils, reflected in the G21 Regional Growth Plan, that what benefits Geelong also benefits the G21 region.

The region of Geelong itself has operated – and continues to operate – principally as an important, if distressed and probably fragile, sub-region within the Melbourne metropolitan region. This has implications for how rural-urban partnerships and linkages should be assessed and evaluated within the region itself. In the economic strategy presented by the regional alliance, the G21 seems to see itself as able to compete with Melbourne for higher-value service industries. But the G21 is too close, and Melbourne much too big to make this likely. The city of Greater Geelong, the main urban pole of the region, is far down in the urban hierarchy and has limited potential to capture many of the functions that Melbourne provides. Improving connectivity with Melbourne will only exacerbate this difficulty. This challenge is evident in the regional vision to transition the G21 into more of a service economy from basic manufacturing. The key competence of the current workforce is in manufacturing, and the value of output per worker in manufacturing is much higher than in services, except for high-value services, for which the current workforce is not qualified. Given its proximity to Melbourne and the importance of proximity/agglomeration effects, it will be hard to move high-value services to Geelong. This plan benefits urban Geelong but not necessarily the rural areas in the region.

The entire strategy for G21 seems predicated too much on continuing growth and finding ways to facilitate it; but this level of growth is neither assured, nor may it even be desirable, especially if new residents lack employment opportunities. In particular, the basis for a population of 500 000 is not well established, but this number drives the entire strategy. Informants emphasise that this is the case because the G21 strategy responds to a clear policy direction from the state government to accelerate growth in rural and regional areas. Also, land-use plans tend to be based on population projections, which are regularly produced by the state of Victoria. A range of growth scenarios would provide the region with the potential to think about different strategies going forward, rather than having all the planning eggs in one basket. Investment priorities set by G21 are influenced by available funds rather than actual local needs, and this is more evident in rural communities. G21 has to work with policies, projects and interventions set by other institutions and implemented by local governments. Some projects, programmes and initiatives may have a limited impact on G21's development and may not improve regional cohesion and functionality. For example, a community centre or library may be built when the need was for a health service facility.

What seems lacking is a clear sense of how the underlying assumptions in each plan are formed, especially when they have implications for other types of plans. For example, in the G21, both the land-use and growth plans assume a large increase in population in the future with some significant share of these people being in the labour force. But the economic development plan does not clearly address where jobs for so many new residents will be found, or describe the types of resident who must be attracted for employment to take place. The key to the whole planning approach is whether or not the "employment precincts" will be dynamic enough to act as major magnets for planned

residential development on this scale. Local planners recognise this link, but are banking on the assumptions and quality of the regional economic development plan.

The future of the G21 may require significant re-engagement with agricultural competences. Clearly, rural spaces and economic functionalities remain a key feature in at least two respects. First, food-tech and agri-business clusters continue to show at least a measure of dynamism and long-term innovative potential; for instance, new co-products in seafood, red meat and dairy, with important meat processing and value-adding abattoirs in Warrnambool, Colac and Geelong. It is possible that these activities could be expanded in new, unexpected ways, particularly if they are related to new thinking about job-creating manufacturing investments. Current policy could be too focused on external rather than internal realities.

Conclusions and looking ahead

Often, separate policies result in separate constituencies and rigid boundaries, particularly when there is limited scope for integration. This is seen in the rural policy and regional policy divide in the European Union and the challenges that flow from trying to bridge these borders. Australia is particularly instructive, because it has a lower degree of separation between rural development and regional policy, and this enabled the G21 to adopt an integrated approach to regional development. The partnership has been able to bring urban and rural constituencies together to tackle both urban and rural issues, as well as design as a collective strategic vision for the territory. The region is in transition, and the ongoing institutional, social and economic changes will continue to favour the rural-urban alliance in Geelong. All the districts recognise that the region has an opportunity to redesign its economic role within the state of Victoria, and in particular, in relation to Melbourne, and this can only be done together. However, this transition to a focus on economic development means cultivating new skills that have not yet been fully provided for within the partnership, and including a wider set of actors. The partnership will need to be able to:

1. Understand internal trends, leverage even more political weight to tap more public resources where possible, and develop alternative funding sources. Cultivating the links with the private sector and elevating its visibility with the public at large will help in this respect.

2. Active participation of civil society would also enhance the role of G21 as a regional forum for development. Similarly, as the transition needs to be managed and supported by flexible policies and strategies, the partnership will need to be able to shield the region from policy interventions that are not in its interests.

3. More mechanisms that measure results and ensure that the economic impact of the partnership on the region as a whole is better understood would also be welcomed.

4. Greater efforts should focus on improving the region's material understanding of itself through better data on the real space-economy. In general, the G21 struggles to link both economic development and spatial planning in a coherent strategy. At present, the growth strategy and the spatial one implemented in the G21 engage too uncritically with international best practices (smart growth, sustainability, compact growth in planning studies; high-tech growth clusters in economic

development circles) and thus both may miss alternative, "home-grown" approaches organically derived from local competences and traditions (for a critique of smart growth from an industrial economic perspective, see e.g. Green Leigh and Hoelzel, 2012).

Note

1. According to OECD (2012).

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Chapter 8

Czech Republic: Prague-Central Bohemia

Summary and conclusions

Main findings. (1) There is a very strong functional relationship between the region of Central Bohemia and the city-region of Prague that is based on history, geography and economic connections. The aggregate region forms a classic monocentric metropolitan system. (2) The decision to fragment this single functional region into two administrative regions has resulted in slower development in both places than could have been the case if a single integrated region existed. (3) Fragmentation seems to have been driven to a significant extent by the necessity to create formal regions of a proper size as part of the EU accession process. (4) The way the two regions are currently structured impedes co-operation, because they are radically different in terms of number of municipalities, physical size, population density and government capacity. (5) Prague's past dominance over its hinterland has led it to assume a stronger role than it has now, which has created unnecessary tensions with both Central Bohemia and its individual municipalities.

Territory under analysis. The entire functional region consists of one large primate city, Prague, which forms one administrative region, and a geographically large surrounding hinterland region, Central Bohemia, that contains 1 146 autonomous municipalities, the largest being a city of about 70 000 people. Attachment to Prague is exceedingly high for those municipalities in Central Bohemia that are adjacent, but declines with distance from Prague.

Historical background of the partnership. The economic performance of the two regions is high by Czech standards and Prague is one of Europe's wealthier cities. Regions were introduced into the Czech Republic in 1997 as part of the accession process. EU guidelines dictated appropriate populations for a region, but the Czech government seems to have chosen regional boundaries to maximise eligibility for EU regional funds. Seven of the eight regions qualify for Objective 1 support while Prague, the eighth, qualifies for Objective 2 support for innovative high-performance cities.

Partnership activities: at present, only rudimentary partnerships are in place. These mainly exist as bilateral agreements between Prague and a nearby municipality in Central Bohemia to cover a specific issue. Co-ordinating transport and public services forms the basis for many of these agreements. These bilateral agreements could form the basis for a stronger regional agreement, but there is no compelling political reason for this to happen. If it does occur, it is most likely to reflect economic necessity.

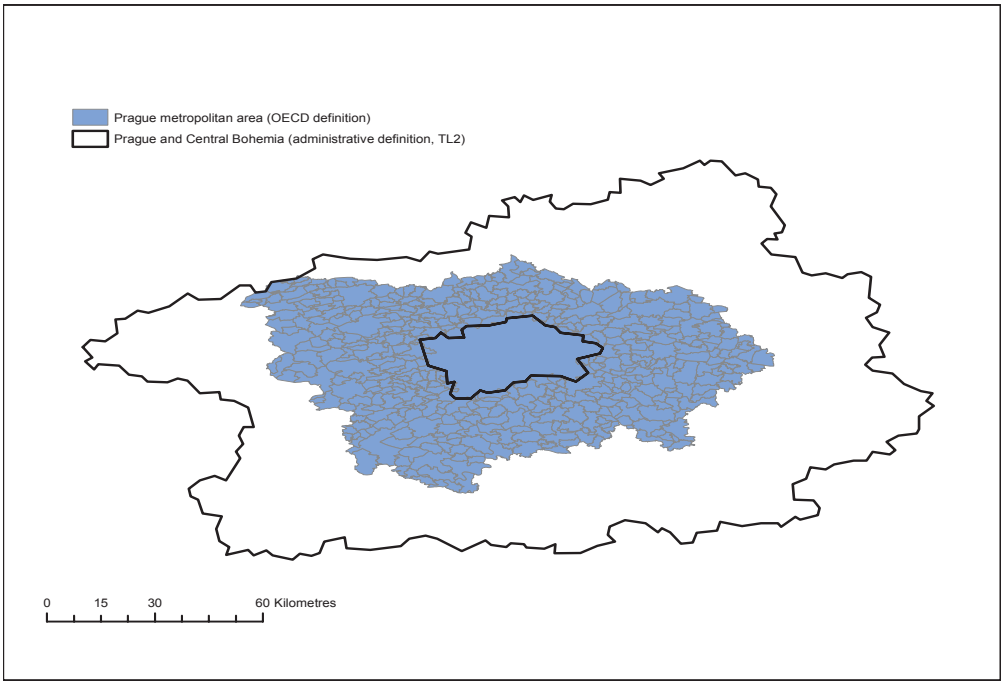
Future challenges. Difficulties for Central Bohemia in dealing with Prague stem from the region's weak authority relative to its individual municipalities; fragmented interest among the municipalities in forging better relations with Prague, and far lower technical capacity than in the city/region of Prague. In addition, Prague has in the past been seen as trying to play a too dominant role in the hinterland and not being willing to support a stronger economic role for Central Bohemia.

Regional overview

Territory under analysis

The Prague functional region consists of the Prague city region and some part, or all, of the surrounding region of Central Bohemia. Some question remains as to whether all of Central Bohemia is connected strongly enough to Prague to make its entire territory part of the Prague functional region, but the majority of the population and economic activity in Central Bohemia is clearly strongly coupled to the city. Prague is the capital of the Czech Republic and by far the largest city in the country. Its population of 1.25 million accounts for about 11.9% of the national population. Similarly, Central Bohemia, with a population of about 1.29 million, also accounts for about 12.3% of the national population. Together these two regions account for almost one-quarter of the population of the Czech Republic and 36% of national GDP.

Figure 8.1. **Prague/Central Bohemia region**



Note: This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

The Czech Republic is a unitary state with no constitutionally determined division of powers with lower levels of government. Historically, the main unit of government below the national level has been the municipality. Municipalities range in size from the city of Prague to places with less than 100 inhabitants. Municipalities are self-governing and have taxation and administrative powers delegated by the national government. In

addition, districts have been used by various Czech governments throughout history to aggregate municipalities into larger administrative regions. Indeed, Bohemia has had a historical existence as a specific territory/region that comprised Prague and a hinterland that covered most of what is now the western portion of the Czech Republic. Under communist rule, the central portion of the former region of Bohemia became an administrative region centred on Prague. Prague itself has had a long-standing identity as an autonomous and independent city.

Table 8.1 provides basic some descriptive statistics for the two regions. Despite having roughly the same population, they differ radically in just about every measure. Nevertheless, as well as having the highest population, by most measures, the two regions have the best-performing economies in the Czech Republic.

Table 8.1. **Prague and Central Bohemia socio-economic indicators**

Indicator	Prague	Central Bohemia
Population (million) (2011)	1.25	1.29
Area (km)	496	11 015
Population density (inhabitants/km²)	2 512	117
Population share	11.9%	12.3%
Share of national GDP (2011)	25.3%	10.7%
Average monthly wage (EUR)*	1 256	953
Unemployment rate (2012)	3.1%	4.6%
Per capita GDP – % of national average (2011)	214.8%	88.2%
Share of foreign investment (2010)	52.1%	10.3%
University enrolment (2009)	27 829	1 739
Number of autonomous municipalities	1	1 145

Note: *Exchange rate: EUR 1 = CZK 25.773 CZK (20 August 2013).

Source: OECD (2012), "Rurban background report: Prague and Central Bohemia", unpublished; OECD (2013), *OECD Regional Statistics* (database), http://dx.doi.org/10.1787/region-data-en.

Following the transition from communism in 1991, the Czech Republic inherited 77 districts that included 6 324 municipalities. Districts played the role of delegated administrators of national authority, with no self-government function. In 1997, districts were abolished except as units for data collection, and 14 regions were identified, including the current boundaries for Prague and Central Bohemia. These new regions have self-government functions and elected councils, but their budgets are incorporated with municipal budgets, so they have no independent source of funds. For the most part, these regions are smaller than is the norm in the European Union, so as the Czech Republic began accession negotiations, it aggregated the 14 regions into 8 cohesion regions in 2000. Boundaries of both the Prague and Central Bohemia regions were not altered by this adjustment.

The city of Prague's geographical boundary has remained relatively constant over time. It roughly corresponds to the urban settlement, resulting in a city region with limited undeveloped land. Prague itself is the 12th highest income region in Europe and has far better socio-economic conditions than any other region in the Czech Republic.

Prague captures more than half of the foreign investment in the Czech Republic and 40% of its university students. Prague is clearly a primate city, as both the national capital and the largest city. It has a more advanced and complex economy than any other city or region and is the major point of connection between the Czech Republic and other countries.

Socio-economic profile

Central Bohemia surrounds Prague and is the second highest-performing region after Prague. In recent years, it has grown faster than Prague, largely because Prague is space constrained, and people and economic activity are spilling into the hinterland. The rate of new firm formation is higher in Central Bohemia than in any other Czech region. Central Bohemia captures the second-largest share of foreign direct investment at 11% after Prague, but this is one-fifth of Prague's share. Within Central Bohemia, the districts closest to Prague are experiencing faster growth in population income and employment than more remote districts. Central Bohemia benefits from proximity to Prague, but has ample low-cost land, lower wages and other costs of production, and less congestion.

Within the Prague functional region, there is a clear distance-decay relationship with the highest levels of income, wealth and population density declining with distance from the urban centre of Prague. This makes the Prague region a clear case of a traditional monocentric city system (Figure 8.1). One example of this is the number of university students. While Prague and Central Bohemia have roughly the same population levels, Central Bohemia has remarkably few university students. Indeed, other smaller regions in the Czech Republic have more. This of course reflects the opportunity for students in Central Bohemia to easily attend better universities in Prague that reflect the city's size, position as a national capital and long history as a centre of education in central Europe.

Although the city of Prague and the surrounding rural territory have existed as distinct administrative regions for decades, the separation has become a significant problem post-communism, and especially since the introduction of regions with distinct self-government capacities. Prior to 1991, in the era of central planning, the formal separation of territories/municipalities had little effect because the planning scheme operated at a larger level and considered a large geographic territory in integrated way. With subsidiarity in the post-communist era, individual municipalities and regions have a higher degree of autonomy and not surprisingly, differing priorities.

Strengths and challenges of the region

Prague and a large part of Central Bohemia are clearly a single functional region in terms of commuting patterns, retail trade, media markets and historical relations. Given this integration, it is important to ask why the Czech government decided to establish two autonomous regions. One possible reason is to achieve better balance among the regions in the nation. When split, the city of Prague and Central Bohemia remain the two largest regions in the country, with a disproportionate share of population and economic activity. Other regions could not be made larger to compensate, without making them so big that they would be too diverse to make sense. Clearly, it is impossible to divide Prague itself, so the only alternative is to establish a core and a periphery region.

This rationale makes sense if regions are to be the major layer below the nation for making and delivering sub-national public policy. However, it is not clear that this is the case. Instead, regions seem to be only a secondary administrative layer and power, and responsibility for sub-national activity still rests with the municipality. Indeed, the

Czech Republic had a long history of districts being a secondary administrative unit, with district boundaries largely following traditional hinterlands of market towns.

A second rationale for the existence of the division, and indeed the introduction of regions themselves, was the necessity to conform to EU administrative structure during the accession process. First, Czechoslovakia and then the Czech Republic introduced the idea of regions in response to EU guidelines for harmonising subnational territorial structure. Districts were too small a unit, so the first response of the Czech government was to create 14 regions in 1997 (Law 347/1997), which divided Prague from Central Bohemia. However, while the administrative boundaries of the 14 regions, with the exception of Prague and Central Bohemia, are largely consistent with functional behaviour, many of them were too small in population to meet the EU norm for a NUTS2 category and were deemed ineligible for EU funding. In response, in 2000 the Czech government created eight "Cohesion Regions" that aggregated smaller population regions into new units that met the EU norms.

Following this logic of responding to EU organisational requirements, another rationale for separating Prague and Central Bohemia becomes clear. Any region in the Czech Republic that contained Prague would clearly be ineligible for Objective 1 funds, whereas all other parts of the Czech Republic would be eligible. Obviously, Prague had to be its own region, but this restriction does not address the specific size of the Prague region. In principle, the Prague region could have contained the ring of municipalities outside the formal city boundary that have the strongest degree of integration, which would have resulted in more of a functional region.

But the existence of Objective 2 funds for high-performing innovative regions made it important for Prague to have a small footprint, because adding territory outside the city boundary would lower Prague's performance score and make it ineligible for these EU Objective 2 funds. Essentially, the existing regional boundaries maximise access for the entire Czech Republic to EU funds for regional policy. For the 2007-2013 period, this resulted in benefits of EUR 26.7 billion for the Czech Republic. By comparison, the total Czech GDP from 2007-2012 was approximately EUR 887 billion. GDP for 2013 is forecast as being about EUR 151 billion. Thus, over the regional fund programming period, support from the EU was about 2.6% of total 2007-2013 GDP. While this is not an insignificant amount, it has to be weighed against lost productivity in the Prague functional region caused by conflicts between the two regions.

Partnership purpose and characteristics

Currently, partnerships between the urban centre and the surrounding rural region are limited and weak. A variety of factors contribute to this situation:

- Formal separation of regional government: the most obvious factor is that the two regions are distinct administrative units with equal powers and no obligation to co-ordinate their actions.
- Divergent regional interests: Prague is a compact, dense city that has managed to maintain a strong tourism sector, based upon its history and culture. Its modern economy has important strengths in electronics, information technology and the local administrative offices of multinational firms. Both regions have strong economies, but they have quite different strengths and see different opportunities going forward.

- Weak regional authority: in the Czech system of government, regions are weak actors. While they have formal powers delegated from the national government, they have no meaningful sources of own revenue. This makes them dependent upon transfers from municipalities and the national government. Once again, Prague is an exception, because it is both a region and a city, with its own revenue.
- Different administrative capacities: while the population of both regions is roughly similar, the capabilities of the local governments in the two regions are very different. In the Czech system, regional governments rely mainly on municipal governments within their jurisdiction for staff and resources. Prague is a single city with an administrative capacity appropriate for managing an urban area of more than 1 million people. Central Bohemia also has more than 1 million people, but the largest municipality in the region has about 70 000 people. This means that for many important bilateral issues, there is no internal administrative capacity in Central Bohemia that can match up with the bureaucracy in Prague.
- Divergent interests within Central Bohemia: the largest part of the population of Central Bohemia is found in the inner ring of municipalities that are strongly connected to Prague by daily flows. But a still large share of the Central Bohemia region has much weaker ties to Prague and places less importance on improving ties to Prague. This suggests that Central Bohemia has an internal challenge in defining a development strategy that balances the interests of both parts of its territory.
- Heritage of communist central planning: the communist regime put in place a number of "facts on the ground" that now create a path-dependency problem. These include a planning system that had no spatial price capacity, and in particular a housing policy that created large apartment complexes in the middle to outer suburbs of Prague, some of which are now in Central Bohemia. Land prices played no role in building location and type, and the introduction of a market for land has resulted in some parcels of land being used in uneconomical ways.

Nevertheless, the growing role of market forces is compelling a degree of collaboration and co-operation. Economic growth is increasing congestion in Prague and resulting in higher land and property values. One consequence of this is a shift of firms that need large amounts of contiguous land to Central Bohemia, which increases economic integration between the regions. A second consequence is that lower-income households are moving to Central Bohemia for cheaper and potentially larger homes. This movement increases the need to co-ordinate basic services like public transport, education and healthcare. Third, an ageing and shrinking population in Prague means that it relies upon workers commuting from Central Bohemia to maintain its workforce. Fourth, Prague remains highly dependent upon Central Bohemia for environmental services, including waste management, green space recreational opportunities and natural resources.

Direct co-operation at the regional level is less common than at the municipal level. This seems to reflect the importance to municipal governments, including the city of Prague, to mutually resolve specific issues that they have direct jurisdiction over and which local elected officials believe are important. Because municipal governments have directly raised revenues, they may have the flexibility to enter a bilateral agreement.

Where funds come from the national government in the form of transfers, there is usually much less discretionary authority, because funds are allocated for specific purposes.

The resulting system of bilateral agreements has a degree of internal consistency, because Prague is one part of each relationship and Prague has a coherent strategy. What is less certain is whether multiple bilateral agreements are in the collective interest of Central Bohemia as a region. It is not certain, however, if there is an articulated "Central Bohemian interest" that would correspond to a collective objective. Because large parts of Central Bohemia are only weakly connected to Prague and municipalities in close proximity to Prague have diverse interests, it may not be possible to identify a grand regional bargaining approach for Central Bohemia.

Complying with various forms of EU regulation is also compelling increased co-operation. For example, individual municipalities in Central Bohemia are too small to be able to meet EU standards for environmental management. This necessitates forming coalitions to provide new facilities. The formation of coalitions is facilitated when EU funds are available to coalition partners. This creates an alternative to bilateral bargaining with Prague and may lead in time to greater cohesion within Central Bohemia.

The Czech Republic has only relied on a market-oriented economy for just over 20 years. In addition, during this period, the Republic itself was created when Czechoslovakia split. The formation of voluntary partnerships among local governments may be as radical a change as the shift from central planning to a market economy. Moreover, the use of regions is an even more recent phenomenon, with no past history to use as a guide. The region's existence may well be more the result of the accession process to the EU than a specific desire by the Czech government and people to add this new layer of government.

Partnership strengths and weaknesses

The two regions are tightly bound to each other by history, geography and economics. Ultimately, this will compel some form of partnership, if only to take advantage of economic opportunities. Collectively, the two regions account for about 40% of national GDP and are the most dynamic part of the Czech Republic. While they may currently see themselves in a competitive situation for population, government transfers and development, they ultimately have complementary strengths.

Prague, as the national capital, the largest city and the main entry point for external linkages, plays a key role nationally as a modernising force for the economy. But Prague is space constrained, and any form of ground transport has to pass through Central Bohemia to reach it. Already, increasing density in Prague can increase costs of production, and for some activities, the lack of space can be an impediment to growth. Central Bohemia offers the opportunity to locate large-scale production and modern housing in a lower-cost environment and still have ready access to Prague.

Existing bilateral partnerships between municipalities in Central Bohemia and Prague that focus on specific issues can form a basis for constructing broader strategic partnerships at the regional level. These are being supplemented by inter-municipal agreements within Central Bohemia's individual municipalities. The municipalities are brought into collaborations to meet EU environmental standards, which are too expensive for them to afford individually. EU funding has accelerated this process.

The gaps between Prague and Central Bohemia are large in many respects and contribute to the difficulty of forming comprehensive rural-urban partnerships. A large

part of this reflects the dominant role of Prague, not only in the region but also in the nation. As a primate city, it has resources and capacities that are far in excess of any other regions. The simple evidence of this is that the rest of the Czech Republic qualifies for Objective 1 support, while Prague is one of a handful of European cities to qualify for Objective 2 support as a high-performance, innovative city. Prague is clearly different from the rest of the country, but it is possible that some of its higher performance reflects too much support from the national government, due to its position as a primate city (see Box 8.1 on primate cities).

Box 8.1. **Primate cities and unbalanced growth**

For primate cities like Prague, which is by far the largest city in the country and the national capital, a crucial question is the possibility of a form of bias in national government policy that reinforces the existing concentration of economic and political power in Prague. Often, when a single city is both the capital and the largest urban centre, policies can develop that systematically favour it over smaller cities, towns and rural areas. Where this bias exists, it can contribute to faster rates of economic growth in the primate city than would occur under more neutral policies. But much of the growth can reflect an over-concentration of resources provided by government to the dominant urban centre. While these resources create the self-fulfilling effect of faster urban growth, the aggregate level of national growth can be reduced.

In this situation, implementing regional policies to strengthen urban-rural linkages may be seen as a way to stimulate growth in slower-growing rural hinterlands. But if the primate urban centre continues to receive a higher level of resources, the likelihood of the rural territory achieving its full growth potential will not be increased. Under this structure, the urban core is likely to remain dominant. The rural periphery could well be worse off once it loses autonomy in its development actions, as a result of pressure to form a larger region dominated by the urban core.

One way that bias can develop is from a focus on metrics like output, or GDP, per square kilometre, which results in output spikes in the most densely settled regions. If geographic density of output is the metric for good development policy, concentrating economic activity in large urban centre growth poles is the obvious solution. But why is output per square kilometre a desirable metric? Public policy does not usually consider maximising the return to land as a worthy objective. More often, policy makers are interested in increasing the productivity of workers, because this leads to higher wages. In this case, a better performance metric would be the level of output per worker, and regions with higher levels of output per worker and higher rates of employment would be considered better-performing. However, while some large cities do well under such a criterion, others do not. Moreover, some rural regions, including peripheral ones, have exceedingly high levels of output per worker and high rates of employment.

For more information, see Anderson (2012).

Opportunities for Prague are quite different than for Central Bohemia, and it seems that neither region is currently prepared to recognise that its individual future hinges, to a large extent, on their ability to form an effective, mutually beneficial alliance. Yet, ironically, each is the best opportunity for resolving the problems of the other, through a strong rural-urban partnership. Prague is space constrained and Central Bohemia offers the only opportunity to access additional land for new large enterprises, recreation uses and environmental services. On the other hand, Central Bohemia has no significant urban centres and relies upon Prague for higher education, tertiary healthcare and access to retail, financial and professional services. Clearly, pressing transport issues can only be managed through collaboration, but ongoing political conflicts continue to impede co-operation.

In part because regions are a new phenomenon in the Czech Republic, considerable uncertainty remains as to their role. Regions are clearly an intermediary layer between the national government, which retains most major authorities and revenue sources, and municipalities, which remain the main source of local government and sense of community. While the Czech Republic and its predecessor states have long used districts as an intermediary unit to aggregate individual municipalities, they did not play an important role. Yet, given the large number of small municipalities in the country, some form of intermediate unit would seem useful. It is not clear that the current regional structure is serving this function.

The current lack of collaboration among municipalities is evidence of the weakness of the current regional system. Indeed, it almost seems that the existing set of regions was chosen to maximise benefits from the EU, rather than to serve the governance needs of the Czech Republic. Where interaction is occurring, it is either due to pressing local problems or because EU regulations must be complied with. Little evidence is manifest of a pro-active, integrated forward-looking development strategy that can enhance growth across both Prague and Central Bohemia.

Conclusions and looking ahead

The regional structure requirements of the EU constrain the ability to reform the regions of the Czech Republic, as does the national concern with creating a single functional region focused on Prague, which includes one-quarter of the national population. This would greatly exacerbate existing problems of unbalanced growth. This suggests that the Prague and its hinterland, Central Bohemia, will remain distinct regions. The practical problem is how to improve co-ordination between them.

Given its legacy from the communist era, particularly the lack of investment in building modern transport connections to Western Europe, a national focus on maximising EU support for transport infrastructure through the regional funds is understandable. Once this network infrastructure is in place, it would be desirable to identify another rationale for the regions. If the regional layer of government is to be effective, it will have to be given well-defined roles and internal resources to accomplish them. Essentially, the current structure is a membership organisation with limited benefits for the municipalities that make up the regions. The main value for regions under the current system may well be access to EU funds.

In the case of Prague and the surrounding municipalities, there is an obvious role for Central Bohemia. The current system of bilateral agreements between Prague and the surrounding municipalities is inefficient and one-sided. Prague has to negotiate a complex set of agreements, which is inherently inefficient, and has no interest in maximising the benefit to Central Bohemia, or to any of the individual municipalities. Since Prague bargains from a position of strength in each negotiation, unlike the individual municipalities, there is little reason to believe Central Bohemia is receiving all the benefits it could. If it were to act on behalf of all its constituent municipalities, there would be countervailing power.

The most important changes have to come in Central Bohemia, as Prague already acts as a single unit. In an urban region dominated by a primate city, a strong rural-urban partnership cannot occur until the individual rural units identify a common strategy and form a single bargaining entity that has the resources and the power to bargain as an equal, not a supplicant. In Central Bohemia, a key problem has been the limited interest of municipalities in this process. If they understood that it would result in benefits for the

region as a unit, and which could be transferred to them, rather than just benefits for the closer municipalities, they might support a stronger regional authority.

The strength of the regional authority is ultimately a matter for the Czech national government. Stronger regions will inevitably weaken the power of a dominant nation state, because they can aggregate the interests of small municipalities that otherwise could be ignored. But a stronger set of regional institutions could lead to more geographically balanced growth that would benefit all the Czech Republic.

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Chapter 9

Finland: Jyväskylä and Saarijärvi-Viitasaari – Central Finland

Summary and conclusions

Main findings. (1) Different partnerships were studied that included urban and rural areas, generally within the administrative boundaries of the sub-regions. While these partnerships rely on a tradition of inter-municipal collaboration, they do not explicitly address the relationship between urban and rural areas. (2) The partnerships are single-purpose, principally with the aim of enhancing and improving access to specific services in rural areas. (3) Most of the partnerships involve municipalities and the Regional Council, an intermediate level of government that includes representatives of all the municipalities of the region. The involvement of the private sector and other public institutions seems low. (4) A spirit of collaboration has been established through informal partnerships on local development projects, and there is no apparent tension among the urban and rural stakeholders. (5) The links between the regional development strategy and the rural-urban partnerships in the sub-region are still weak, and the Regional Council has not yet fully come into its own as a co-ordinator of a multipurpose integrated strategy.

Territory under analysis. The partnerships studied include two of the six sub-regions of the OECD TL3 region of Central Finland: Jyväskylä and Saarijärvi-Viitasaari. Central Finland is a sparsely populated, predominantly rural region, and comprises 23 municipalities. More than 60% of its population is concentrated in the main urban centre of Jyväskylä, the seventh-largest urban area in Finland. Sub-regions (NUTS4) were created and organised around the management of EU funds and programmes, and often represent a successful scale for informal partnerships among rural and urban areas. Many of the partnerships studied that involve Jyväskylä envisage the provision of services from the city to the rural areas (e.g. public administration, education and health).

Historical background of the partnerships. The existing situation in the region appears to include both informal networks that enjoy the strong commitment of local rural municipalities, on the one hand, and formal regional-scale institutions on the other. Inter-municipal co-operation is a distinctive feature of Finland's territorial organisation, encouraged by national reforms and reinforced in the past 15 years by EU rural projects (such as the LEADER project). In the 1990s, an intermediate layer of government (regions) was created with a view to Finland's admission to the EU. This level of government, with the responsibility for regional development policy and funds, has been the enabling factor for new partnerships within regions, but in the case of Central Finland, it has not yet fully exploited its planning role. Local municipalities are still responsible for the provision of services.

Partnership activities. The focus of the partnerships is to improve the efficiency of service delivery, while ensuring equal availability throughout the region. The regional objective of maintaining population in the rural areas is always an important concern of the partnerships. The partnerships provide the implementation of specific projects in distance learning, transport, information services, etc., for which national or EU funding has been granted.

Future challenges. The current reorganisation of territorial governance in Finland, with a substantial reduction in the number of municipalities, may offer an opportunity to introduce larger multisectoral bodies and functional areas that are better able to provide efficient diversified services and facilitate rural development, even across regional borders. To make the most of this opportunity, regional functions should be scaled up to multipurpose integrated development strategy and governance arrangements, making sure to avoid duplication of function between the regional councils and the municipalities or other bodies. In such a context, it is not clear if promoting rural-urban governance and explicit partnerships among rural and urban areas would improve policy making and the well-being of the population. In fact, the Finnish reform process and the new framework for EU policies, together with a re-designing of LEADER and local action groups (LAGs), could provide sufficient opportunities to improve inter-municipal co-operation and implicit rural-urban partnerships. Finally, small and rural municipalities face skills and capacity bottlenecks that make it difficult to create a more equitable basis for co-operation and reduce the economic return of the partnerships. Investing in capacity building, advance evaluation of goals and monitoring of progress are needed, to learn from the current practices of local-led development in rural and urban areas and to communicate the results expected and achieved.

Regional overview

Territory under analysis

The territory under analysis comprises two of the six sub-regions of Central Finland: Jyväskylä and Saarijärvi-Viitasaari (Figure 9.1). Central Finland, according to the OECD typology, constitutes a predominantly rural region close to a city. It accounts for 5% of the Finnish population, 16% of its area is waterways and around 4% of national GDP. An ageing population and depopulation outside the main urban centres are the main challenges for the efficiency and equity of service delivery. Finland's welfare system has been able to provide a reasonably high standard of public services, notably health and education, even in remote rural areas (OECD, 2008). However, the viability and sustainability of the current territorial organisation, and its ability to provide high-quality services, has been challenged in recent years, and reforms of the territorial organisation are under way (see below).

Around 64% of the 275 000 inhabitants of Central Finland live in the main city, Jyväskylä, and its surrounding areas. The remaining population is scattered in small towns and rural areas (Table 9.1). The Jyväskylä region, made up of eight municipalities and the main city, is one of the key urban areas in Finland, but is relatively limited in area. It has grown by attracting students and workers from the Central Region and beyond; today, it is a leader in the field of innovative technology (ICT, bioenergy, nanotechnology, paper making), provides 70% of the region's energy supply and supports two universities.

The Saarijärvi-Viitasaari area, located in the northeast part of Central Finland, is a rural area far from urban centres, populated by scattered settlements of low density (rarely above 10 inhabitants per square kilometre) and has a total population of around 35 000 people. Unlike the Jyväskylä sub-region, the Saarijärvi-Viitasaari faces depopulation, steep ageing and a decline in living standards.

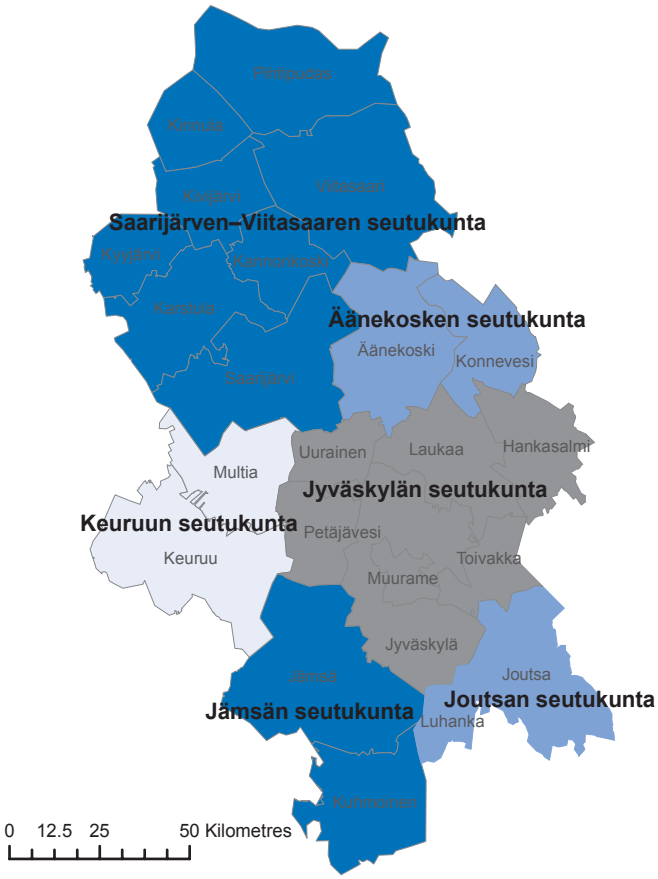
Table 9.1. **Basic statistics on the two Finnish sub-regions**

Territory	Population 2013	Land area (km^2)	Population density (people per km^2)	Number of municipalities
Jyväskylä	172 083	3 702	46.5	7
Saarijärvi-Viitasaari	33 346	6 301	5.3	5
Central Finland	**273 675**	**19 985**	**13.7**	**23**
As a % of Finland	5.1%	5.9%		7.2%

Note: Land area excludes waterways.

Source: Population Register Centre and National Land Survey of Finland, www.localfinland.fi.

Figure 9.1. **Central Finland and its sub-regions**



Note: This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

Socio-economic profile

Among OECD member countries, Finland stands out as an innovative economy, with a highly skilled workforce and a highly admired education system. Its relatively good economic performance during the global economic crisis can be explained by its economic competitiveness on the one hand, and, on the other, the sustainability of its public finances. This is supported by a "high level of investment in human capital and a well-educated labour force, one of the attributes of the Nordic model, facilitating the adjustment to changing circumstances by making it easier to upgrade skills through additional training" (Gylfason et al., 2010). However, between 2008 and 2011, productivity growth slowed, by more than 10% in the provision of public services, and unit labour costs rose faster than in many other countries in the euro zone. To achieve long-term sustainable growth and preserve the country's comprehensive welfare state arrangements in the face of demographic ageing, Finland must boost productivity growth in most sectors, enhance active labour market policies, and address growing inequalities in access to healthcare and health conditions across regions and socio-economic groups (OECD, 2013a). Such challenges place an increased emphasis on effective support for business; achieving greater efficiencies at the municipal level; and limiting the growth of expensive specialised care services for an ageing population.

The sub-region of Jyväskylä is one of the fastest-growing city-regions in the country. Its GDP per capita is slightly lower than the national value (Table 9.2). Educational services have been at the centre of the economic growth of the area, especially after the 1990s regional economic recession. This prompted joint efforts by the local authorities, higher education institutions and the business sector to strengthen the regional knowledge economy through a series of initiatives that included a science park, EU-funded university master's programmes, high-tech companies and a multidisciplinary polytechnic (Goddard et al., 2006). In 2009, 30% of the population had a tertiary degree and almost 80% of the labour force worked in the service sector of the economy. The area is a national hub for innovative technologies in paper machinery production, information technology, renewable energy and healthcare services. Access in and out of the Jyväskylä area is quite easy, including daily flights to the international airport in Helsinki, as well as rail and bus connections to primary destinations in Finland. As a crossroads for Finland's main highways, Jyväskylä is becoming increasingly attractive for logistical activity (Mukkala et al., 2006).

Table 9.2. **Jyväskylä and Saarijärvi socio-economic indicators**

	Jyväskylä	Saarijärvi-Viitasaari	Central Finland	Finland	OECD
GDP per capita (USD, PPP), 2010	27 372	19 231	26 302	33 263	30 156
Unemployment rate (%), 2011	12.5	14.6	13.2	7.8	7.9
Elderly dependency rate (%), 2012	22	42	27.9	27.7	22.1
Share of population (+15 years old) with higher education attainment (%), 2011	31.3	16.1	26.7	28.2	26.3

Note: The share of OECD population with higher education attainment is computed with respect to the labour force and not the total population.

Source: Statistics Finland; OECD (2013), *OECD Regional Statistics* (database), http://dx.doi.org/10.1787/region-data-en; Association of Local Finland.

The University of Jyväskylä is the third-largest university in Finland, specialised in information and human technology, nanotechnology, education, energy and environment technology, regional economy and entrepreneurship (Luoma and Kunttu, 2005). The Jyväskylä Polytechnic specialises in information technology, national resources (biotechnology), wellness technology, paper machine technology, tourism, and, additionally, co-operation between business areas and creative professions. Only 34% of the students are from Central Finland, and 60% of the graduates find employment within the region.

Higher education and adult education are the two main educational flagships in Jyväskylä, resulting in strong support for universities and institutions of higher education, which provide education and training designed for the entire working-age population. Jyväskylä provides the main educational opportunities for the Central Finland region, either directly in the city or on the basis of Internet-based distance courses. The provision of educational services to the rural areas of Central Finland includes primary and secondary education, in line with the National Education Policy, which strives for excellence regardless of regional circumstance (OECD, 2013b). The provision of education online by the central city represents an attempt on the part of the city to keep rural areas inhabited and economically sustainable.

The Saarijärvi-Viitasaari sub-region's economy is typical of a sparsely populated rural area. It relies principally on agriculture and forestry, which have seen large job losses in recent years. Rural tourism is still under-developed. In general, Central Finland suffers more than other Finnish regions from low productivity, as its business base is chiefly composed of small and medium enterprises (SMEs), with a low level of research and development (R&D) investment (Goddard et al., 2006). Disparities between the Jyväskylä city-region area and the rural areas of the Central Region have been growing: Saarijärvi-Viitasaari sub-region's GDP is currently below 75% of Central Finland's, and its unemployment rate is 13% (in 2012). The share of population with tertiary education is 16%, half that of Jyväskylä.

Jyväskylä and the region represent a typical example of a "residual" interaction model, where rural areas are not independent partners and do not contribute to innovation and economic development (Storhammar and Virkkala, 2003). Data on the social conditions and quality of services in the sub-regions are scarce, but increases in unemployment and reduction of municipal taxation nevertheless indicate that the rural population is supported by an increasingly expensive network of municipal services. The peripheral areas' demographic structure (low working-age population, high elderly dependency ratio) are obviously the most problematic for the provision of social and health care services (given the lack of doctors, dentists, nurses, etc.). Healthcare is provided by the municipal health centres, but also by occupational or private-sector providers. Providing quality healthcare can prove challenging for small municipalities in sparsely populated areas, which often have difficulty recruiting qualified personnel and cannot benefit from economies of scale (OECD, 2013a). Rural-urban partnerships in the provision of health services can enhance the efficiency and equity of the service.

Strengths and challenges of the region

Traditionally, Finland has been a centralised country with highly decentralised responsibilities for service delivery towards its 320 municipalities, which enjoy a high level of autonomy in decision making, and account for over 30% of total public sector expenditure and two-thirds of total public consumption (AFLA, 2010b). Around half of municipal revenues come from local taxes and 20% from central government transfers. Municipalities represent the local level of administration and are the main providers of healthcare and social welfare (around 50% of revenues is spent on these two policy areas), education and culture (25% of revenues), environmental and technical infrastructure. Over 75% of all public sector employees in Finland work for local government, and personnel costs account for more than 50% of the expenditure (AFLA, 2010b).

Municipalities are regrouped in sub-regions (EU NUTS4 level) included within the regional boundaries. The sub-regions were created and organised around the management of EU funds and programmes (such as, for example, the rural development programmes, LEADER programmes and their local action groups) and often represent a successful scale for informal partnerships among rural and urban areas and involvement of private and public stakeholders around specific programmes.

In the early 1990s, with a view to the admission of Finland into the European Union, 19 regions were created (NUTS3 in the EU classification). Regions are governed by the regional councils (comprising the assembly and the political representatives of the Board), which are statutory joint municipal authorities; all municipalities in the region choose their representatives in the regional council on the basis of the municipality's population size and the budget contributed by each municipality.

Box 9.1. **Territorial reforms in Finland**

The Constitution emphasises that "Finland is divided into municipalities, whose administration shall be based on the self-government of their residents" (Constitution of Finland, Section 121-1). A strong connection exists between the national and the local level (top-down approach). Central government sets a minimum standard of services and provides financial support to municipalities through grants and tax redistribution. Nevertheless, the local authorities have considerable discretion in spending decisions, and their leaders are traditionally accustomed to taking decisions autonomously (AFLA, 2010a).

In the past 15 years, reforms have been introduced to reduce the large number of small municipalities (the median municipal population is around 5 800 inhabitants) and organise service delivery in larger administrations, in order to address both population ageing and diseconomies of scale in remote rural areas. Many voluntary mergers have been agreed on, in particular between municipalities and surrounding rural areas.

A further move towards municipal mergers was proposed by Finland's central government in 2012. According to this plan, municipalities of fewer than 20 000 inhabitants will be merged; municipalities will be supported to build partnership areas with a joint municipal authority or one delegated to perform service delivery. Local authorities will also be allowed to purchase services from another local authority, or from private and third sectors. In the case of an "urban region" (a city surrounded by rural municipalities), the Framework Act calls for improved co-operation in all the regions, as well as a focus on the major cities, as the central players in local economies and the engine of Finland's competitiveness. The objectives of this reform state clearly the need to improve productivity in the public sector, while ensuring equal provision of welfare services across the country. The technological advancement of rural services is described as a means to ensure the financing of these services in the future and to raise citizens' responsibility for their welfare and environment.

With the establishment of the regional councils, the role of municipalities in development issues increased. The regional councils are hosted by the municipalities, and local authorities were granted suitable resources and expertise to deal with local planning issues, as well as autonomy in land use (see Land Use and Building Act of 2000). The current reform of local authorities and the intermediate level of government represented by the regions seems to reinforce the power of the local rural municipalities and may lead to greater co-operation between the local and regional levels, particularly around existing and new issues that will require improved regional integration of spatial planning policies.

Source: AFLA (2010a), "Finnish local government", Association of Finnish Local and Regional Authorities, Helsinki; AFLA (2010b), "Local government services – Organisation of service provision: An overview", Association of Finnish Local and Regional Authorities, Helsinki; Kolehmainen, A. (2012), "New municipality 2017. Vision of the future of local government", Association of Finnish Local and Regional Authorities, Helsinki.

The Regional Council of Central Finland brings 23 municipalities together. More than half of its EUR 5.4 million annual budget for regional development comes from EU funds. Especially for remote rural regions, the financial support of the EU funds is of central importance in maintaining a basic supply of services and transport in communities in demographic decline.

The Regional Management Committee comprises the Regional Council, the Centre for Economic Development, Transport and the Environment and the labour and trade organisations. It is the body in charge of the management of the EU Regional Development Policy (structural, social and rural funds), including the territorial allocation of funds, and acts as a facilitator of vertical and horizontal relations. Among its

responsibilities are regional development to promote business, infrastructure and the environment; land-use planning; international functions related in particular to European regional policy; and co-operation with and between sub-regions and municipalities. The Centre for Economic Development, Transport and the Environment also represents the regional management level of the state administration, being in charge of the European Regional Development Fund (ERDF) and the Rural Development Programme for Mainland Finland.

Partnership purpose and characteristics

Finland has a tradition of inter-municipal co-operation in service delivery, which represents a good practice for other OECD countries, but no specific governance framework exists for rural-urban interactions. Most of the local stakeholders interviewed in Central Finland perceive themselves as living in "rural areas" independently of the existing national classification.[1] The role of the different rural or urban territories was never explicitly addressed in the partnerships that were the focus of this study.

At central level, a Working Group on Urban-Rural Interaction was established in 1999. The group worked on questions of relevant policy fields, implementation of policies and the governance arrangements to develop ideas for urban-rural interactions (Kahila, 2010). In recent years, the group has paid particular attention to bringing urban-rural interactions into the regional development programmes. An evaluation of the results obtained during the EU 2007-2013 programming period would be of great use to central and local policy makers. During the same period, other bottom-up experiences, made possible by EU rural programmes such as LEADER, with its local action groups (LAGs), developed practices of multi-stakeholder partnerships. Finland has developed a strong LEADER Strategy (POMO Programme), with a clear bottom-up approach based on a culture of joint voluntary work, successful collaboration among municipalities of different sizes and a high level of commitment from the private sector. Central Finland hosts four LAGs, with the goals of generating enterprise, developing rural tourism, and experimentation in innovative forms of service delivery.

The overarching aim of the rural-urban partnerships observed in Central Finland is to increase efficiency in service delivery while ensuring equity of the services throughout the region. This is driven by national reforms of the territorial re-organisation of public services and policy delivery, including the establishment of regional councils. In particular, three national reforms should be mentioned for their potential impact on the rural-urban partnerships in Central Finland. These are:

- The Act on Restructuring Local Government and Service (also referred to as the Framework Act, see Box 9.1), was initiated in 2006 with a horizon of 2017. It aims to cut expenditure by reducing the number of municipalities, creating larger catchment areas for services, clarifying the responsibilities for social welfare and healthcare, and increasing inter-municipal co-operation.
- Reform of the social sector, aiming to develop a public service for healthcare in concert with entrepreneurs and implement what is known as a "dualisation" of the system, where small municipalities buy social and healthcare services from larger municipalities.
- Reform of healthcare legislation, proposed for 2014, under which citizens will no longer be obliged to receive healthcare in their own municipality.

Box 9.2. **Lessons learnt in improving service delivery in rural Finland**

The *OECD Rural Review: Finland* found that municipalities produced about two-thirds of basic services (i.e. essential and frequently needed services such as education, social and healthcare, culture, environment and technical infrastructure). The rest is produced by the national government, private sector and non-governmental organisations. These responsibilities are funded by a mixture of local taxes and state grants. At the time, Finland faced important challenges in public service delivery, particularly in remote rural areas. These challenges were linked to the capacity of rural municipalities to fund and deliver public services in the context of a decreasing and ageing population, the double role of municipalities as providers of services and jobs, and the difficulties of accessibility to public services for population in remote and dispersed localities. Finland has responded to these challenges in several ways:

- **Through policies oriented to restructure the service delivery mechanisms and foster co-operation between local authorities.** In an effort to close the gap between functional and administrative boundaries, the Finnish government has made efforts to rethink the administrative organisation for the provision of services: first, by promoting municipal co-operation (through joint municipal boards); second, by the initiative for the restructuring of local government and services through voluntary municipal mergers; and last, by experimenting with different allocations of responsibilities, illustrated by the Kainuu region administrative experiment.
- **Through innovative ways of service delivery such as multi-functional and multi-purpose points of delivery** ("one stop shops" combine public services from the municipality and state such as pensions, employment office, policy, city administrative court and local tax office, sometimes even private services such as the post); **mobile services** (for example, adult training through mobile computer class and training units and multiple service bus experiments for health, culture, shopping or gym for the elderly); and **telematic and electronic services** (for example, free access points at local shops, libraries, cafes or public offices; PC-video conferencing for health services; peer training or relaying experts in local computer classes, Internet kiosks, cafes and at home).
- **Involving the private and the third sectors in the delivery of public services.** One way in which civil society has contributed to improving local services is through its network of local action groups. Additionally, there are encouraging experiences of private and third sectors helping find solutions to public challenges. In any case, the optimal provision of public services requires monitoring private and third-sector service providers, and some equity and regulatory considerations are pertinent in the use of market mechanisms for public service delivery in rural areas.

Source: OECD (2008), *OECD Rural Policy Reviews: Finland 2008*, OECD Publishing, http://dx.doi.org/10.1787/9789264041950-en.

It is too early to evaluate how implementing these reforms will challenge rural municipalities and whether they will change municipal authorities' system of revenue and expenditure. These reforms can, in any case, help support the territorial integration of functions already carried out by different municipalities.

The objectives of the national reforms seem to be in line with Central Finland's regional strategy, whose goal is to keep the region inhabited while improving equity and efficiency in delivering public services for a dispersed and declining population. This strategy will require: *i)* heavy reliance on ICT and distance services; *ii)* improvement of

the business environment, and taking advantage of abundant natural resources; and *iii)* the increased competitiveness of non-related rural firms.

Despite considerable input from the central government, the implementation of the rural-urban partnerships has characteristically operated from the bottom up, thanks to the long tradition of devolved executive power and of local collaboration in Finland. Local authorities (municipalities) are the key players in these partnerships and usually co-operate through different informal agreements within the same sub-region. The sub-region seems to be the right functional parameter for establishing rural-urban partnerships, and the Regional Council can be the switchgear for vertical and horizontal collaboration. The Regional Council of Central Finland has already succeeded in bringing together the municipalities, though there is less evidence of engaging the private sector as well as other public institutions (for example, the universities). During the field mission, some concerns were raised that because of the track record of collaboration among municipalities, the Regional Council may be perceived as an additional layer of administration rather than a real driver for change in the public sector.

Partnership structure

Several cases of rural-urban (or inter-municipal) partnerships have been identified in the two sub-regions of Jyväskylä and Saarijärvi. They are usually single-purpose and mobilised around service delivery. These partnerships involve different municipalities, but the role of the Regional Council varies. The situation in the Jyväskylä region seems to be between informal networks, with substantial commitment from local rural municipalities, on the one hand, and formal regional-scale institutions on the other (McKinney and Johnson, 2009). Some of the identified partnerships are described below, according to the different targeted territories.

The National Pilot Project on Joint Services Offices aims to provide a bundle of central and local services (police, employment, legal aid, social services, taxation) remotely through video conferencing from the main office/service centre located in one municipality. Central Finland has received funds from the central government to run one of the two pilots, with the engagement of 12 municipalities. The municipalities have been able to install fast Internet infrastructure funded by the EU as an open access network. The Regional Council has a co-ordinating role at regional level, although the central government decides which services can be offered. The monitoring and evaluation of this experiment is the responsibility both of the Ministry of Treasury and local public employers, though an official economic assessment of the expected objectives has not been defined.

The regional fibre-optic network for the "Broadband connection to everyone" is a joint project of eight municipalities to build a regional fibre-optic network (of 100 Mb) to facilitate information-sharing and the deployment of distance services. At present, the network is limited to public communications and healthcare, but it is to be extended to other potential uses, with the aim of full coverage by broadband by 2015. The co-operation started ten years ago, aiming to reduce costs and offer the same services in all municipalities. It answered to a funding opportunity from EU and national funds, but after 2015, most funding will have to be provided by the municipalities or private companies (which have not invested in the project so far).

The Central Finland Learning Network (Optiimi method) promotes co-operation between regions, companies and schools, with the goal of discussing future regional development needs and the best use of educational and research expertise. The leading

role in the network is played by the Regional Council, and its members include the University of Jyväskylä, JAMK University of Applied Sciences, the Jyväskylä Educational Consortium and the Jyväskylä Centre of Technology. This method has been implemented since 2004 and seems to be helping to define employment needs and the demand for skills in the region. However, the limited importance accorded this network during the field mission may signal a change in priority for the Regional Council.

Consistent with Finland's high ranking in the OECD's quality of education measures, education remains a key investment in Central Finland. Within basic and secondary education, there is increasing demographic pressure for schools in rural areas to collaborate with each other and with Jyväskylä, sharing expertise and resources through significant investment in information and communications technologies (ICT). The use of e-learning is expanding and helping to build strong links between schools. The investment in optical fibre infrastructure will further improve coverage and utility. The Vocational Institute of Northern Central Finland is the result of 13 municipalities with a funding scheme shared between the state and the municipalities. The Summer University and Open Universities are partnerships of municipalities that work with civil organisations to provide adult learning for the entire territory of Central Finland. The use of ICT and videoconference technology is at the heart of their activities, to provide open access to university lectures even to remote municipalities.

Biomass production is one of the major assets of rural areas. Central Finland is recognised as the primary bioenergy region in Finland, not only for its consumption of bioenergy, but also because its biomass R&D and the training sector in bioenergy are among Finland's most successful. The BIOCLUS project (BIOCLUS Project, 2012) in Central Finland can provide the basis for a rural-urban collaboration. It brings together the Regional Council of Central Finland (which represents the rural areas producing the biomass), two universities and several private partners. The project will cover research, products and services in the areas of biomass production, handling and processing; biomass logistics and storage; biomass combustion technologies; fibre processes and biomass refinery.

Other partnerships among the rural and urban municipalities in the Jyväskylä region include co-operative housing policy to secure sufficient loans for housing construction in small municipalities; the co-operative traffic and transport policy, which features an integrated single ticket for public transport within the whole sub-region; and the "development companies" (a type of local development agency) owned by a set of municipalities, which provide advice and business services to current and incoming enterprises, with a focus on increasing the productivity of small companies.

Five rural municipalities in the Saarijärvi sub-region formed a partnership for the regulation of healthcare, and other partnerships exist for water and waste services and transport policy, in addition to the LEADER programmes already noted.

Partnership strengths and weaknesses

The collaborative process has naturally emerged from the bottom up, facilitated by the central government and regional institutions. Regional councils are well positioned to foster a strong shared vision, delivered through a multi-agency territorial approach. However, this process is in its beginning stages and would benefit from some specific investment in capacity building. Informal sub-regions have emerged to fill part of this

gap, but they lack the immediate investment capability and the potential to engage strategically with key regional partners, including higher education institutions.

Municipalities have a good track record of collaborating to overcome their often small size and lack of critical mass, and of reducing budgets to deliver services. Their willingness to involve other stakeholders, public and private, demonstrates a strong culture of partnership. Their participation with development companies, and also through contracted relationships, shows a willingness to achieve results with others. The forthcoming reorganisation of municipalities will reduce the number of larger authorities, which will doubtless change the dynamics of collaboration.

The difference in the availability and quality of public services between the rural areas of Central Finland and Jyväskylä, the only medium-size administrative city, is relatively low compared to that of other OECD countries, as a result of past investments in ICT and because of the delegations of public service providers in the smaller municipalities. The relatively low inequality between rural and urban areas helps to build co-operation, keep potential conflicts to a minimum and create a general sense of fairness among rural and urban representatives.

Even though all municipalities participate in the Regional Council, a strategic vision for the development of the entire region seems missing or poorly communicated. The Regional Council is seen as a necessity for co-ordinating the tasks at the regional level (and to function as the reference point for European support) but municipalities give the impression that they are fully able to fulfil their political tasks on their own. Further recognition could be accorded to the value added of an integrated regional policy, not only in terms of efficiency of service delivery but also enhanced capacity of public administrations. Furthermore, the Finnish regional councils in general have shown little in the way of an explicit interest in rural-urban interaction. Some of the councils have included the urban-rural partnership in their regional development programmes, but "have in reality yet to find concrete policy proposals with which to buttress the slogans" (Eskelinen and Schmidt-Thomé, 2002).

Partnerships between urban and rural areas need to be explicit and based on real linkages. Finland's rural areas have great natural assets. The absence of partnerships that explicitly address rural and urban relations may be explained by the fact that Jyväskylä and the rural areas are competing on a comparable set of issues (workplaces, institutions for education, welfare, health, etc.) and that Jyväskylä has characteristics similar to the rural municipalities (e.g. green areas, an attractive landscape, etc.).

Despite the success of universities such as Jyväskylä University in developing key economic clusters, questions remain about the engagement of higher education institutions and the private sector in an integrated territorial approach and related development strategies. Such engagement may improve the match between local supply and demand for skills and help retain those educated in the region.

External economic support has been critical in maintaining the provision of distance services. Local society, private companies and public institutions do not seem prepared to move service provision from a model funded by subsidies to a more economically sustainable one, in view of the potential reduction in financial support from EU and national funds.

Conclusions and looking ahead

The Central Finland region offers a good example of productive partnerships among municipalities in a rural region. It builds on a sound tradition of formal and informal co-operation between local governments that is also driven by the central government. The state plays a crucial role in providing investment to address key national goals, particularly stimulating economic growth, achieving efficiencies in public services, and addressing the healthcare issues of the ageing population. In requiring that all people and all businesses have access to fibre-optic broadband infrastructure by 2015, a potential bias against rural areas has been removed, and a platform provided for innovation and collaboration.

Links between medium-sized urban areas and rural regions appear to be only implicit, through their co-operation on specific, single-purpose delivery of services (health, education, ICT, etc.). Greater political understanding and support at the regional level of rural-urban interactions may become necessary in view of the current reorganisation of administrative boundaries and the pressure to increase efficiency of service delivery in remote rural areas. Institutional dialogue with bottom-up partnership could be strengthened, as could the monitoring and evaluation of existing good practices. This would help shift to a multipurpose strategic co-operation and to involve other relevant stakeholders, notably the private sector and universities. Evaluation of expected and actual results is strongly suggested, with a view to ascertaining the economic and social impact of collaboration among different territories.

To enhance the impact of rural-urban partnerships for the provision of services in Central Finland, local and national stakeholders could consider the following three opportunities.

1. First, it seems necessary to scale up the regional functions to a multi-purpose integrated development strategy for the region. Such a strategy may encompass issues where the rural and the urban are still distinctive, and can thus provide for profitable urban-rural exchange (for example, themes dealing with leisure and second homes, cultural heritage, and locally produced and consumed food). The Regional Plan 2030 for Central Finland describes the development objectives in a general way: "Increase the region's economy by strengthening the selected clusters, forest and renewable energy, development of the export of services and internationalisation". To become a guide for an integrated development and to support an urban-rural partnership, it must be more focused and spatially explicit. While single-purpose local partnerships in Central Finland have proved they can deliver the expected results, a lack of an integrated strategy may in the future make it difficult to exploit synergies among sectors and territories and complicate interactions among different stakeholders.
2. Second, the current reorganisation of administrative boundaries may provide the opportunity to introduce larger multi-sectoral bodies and "functional areas" better suited to provide efficient diversified services and to facilitate rural development, even across regional borders. The expected reduction of municipalities will involve fewer stakeholders, with increased responsibility. This could have a positive impact for rural municipalities close to urban areas, as well as for implicit urban-rural partnerships, since they could facilitate better connectivity between large urban municipalities and rural villages. By contrast, for sparsely populated areas, this could further disperse population, making service provision more costly.

3. Third, opportunities for urban-rural interaction can arise if skills and capacity in rural areas are improved to create a more equal basis for co-operation. Novel forms of decision making and policy co-ordination can support urban-rural co-operation, complementing the role of the regional councils (Zonneveld and Stead, 2007). The LEADER approach has already been used by several rural municipalities to build capacity and organise co-operation on the local level. The proposal for the European framework post-2013 envisages including cities in the local action groups (LAGs) in future, and the inclusion of Jyväskylä as a partner in LEADER projects would allow for the development of wider regional concepts, beyond the current focus on rural healthcare service. Similarly, the reinforcement of community-led local development (an extension of the LEADER model), proposed by the European Commission for cohesion policy and rural development under CAP in the 2014-2020 programming period, could be an opportunity for Central Finland's four LAGs to prepare a new LEADER Strategy, enhancing synergies between LAGs and service delivery at the municipal level.

Note

1. A lack of rural versus urban identity was confirmed both in the background questionnaire and during field interviews.

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Chapter 10

France: Rennes Métropole – Rennes

Rural-urban partnership – Rennes Métropole: summary and conclusions

Main findings. (1) *Rennes Métropole* (RM) is a formal inter-municipal structure that has achieved a shared vision for the territory and a successful model of urban development. (2) Thanks to detailed joint spatial planning, RM and the Pays de Rennes have effectively preserved the rural landscape by limiting land consumption and fostering social cohesion through a multimodal public transport system and an ambitious social housing plan. (3) Territorial co-operation has been facilitated by a favourable socio-economic and institutional environment, with a strong territorial identity, common political alignment and a long-standing culture of co-operation. (4) Agriculture and farming play an important role, although agriculture, which is intensive and internationally oriented, sometimes has conflicting interests. (5) The area encompassed by RM is much smaller than the true extent of the urban-rural relationships, omitting many interlinked rural areas.

Territory under analysis. *Rennes Métropole* (RM) is an agglomeration community (Communauté d'agglomération) made up of Rennes and 37 surrounding municipalities. Agglomeration communities are formal bodies for municipal co-operation, with their own taxation power. The central government introduced them to combat the administrative fragmentation of its territory, since France's 36 000 municipalities are too small and numerous to be viable administrative units for handling planning and service provision. The national government provides financial incentives for municipalities to join these communities, which have been added to existing government levels and formally undertake some of the functions municipalities delegate to them.

Historical background of the partnership. RM has been effective in attracting small rural municipalities' support for a common vision for its territory. It has shown an impressive and detailed approach to spatial planning, using a powerful planning tool, the Schéma de cohérence territoriale (SCoT), which encompasses the whole Pays de Rennes, a wider territory than RM. This instrument has helped reduce land consumption, protect the landscape and develop public and multi-modal transport. The SCoT is based on the principle of an "urban archipelago", where rural land separates compact urban settlements, combining urban functions with rural landscape. The partnership's success has been facilitated by a long history of co-operation, stable institutions and strong territorial identity. Formal inter-municipal co-operation started in 1970, and since then, the number of municipalities in the partnership has steadily increased. The region's strong sense of community, and political alignment among local governments, has also facilitated co-operation. However, such conditions are not easily transferable elsewhere.

Partnership activities. Agriculture is a dominant activity in the rural areas around Rennes. Rural land is seen as an amenity to preserve, through the concept of the urban field. A growing share of agricultural land has been devoted to the production of vegetables for local niche consumption. However, the area surrounding RM is also specialised in intensive agricultural activities for national and international markets. These activities are much less integrated into the partnerships, given their lack of coherence with urban needs and with the approach to RM's spatial planning. There is no co-operation on water and soil pollution caused by intensive farming, although this is one of the region's most pressing environmental issues. Certain farmers tend to deal more with higher-level institutions (the state, EU) than with RM. Including such agriculture in the co-operation process presents a challenge.

Future challenges. The relatively small geographical scope of the partnerships makes it difficult to deal with economic and environmental issues. Larger and more functional spatial boundaries for planning and economic development strategy are needed to bring in rural areas that are increasingly integrated with Rennes but have been left out of the co-operation mechanisms. Enlarging the perimeter of SCoT would be one option. Another future challenge for Rennes is to deal with its increasing integration in a larger network of medium-sized cities, which includes Nantes and Saint Malo. In the future, Rennes' functional area could extend along the main road axis, encompassing neighbouring functional urban areas. A competitive dynamic clearly prevails at present over a shared regional vision, but a well-timed development scenario could help the region deal with other territorial challenges.

Regional overview

Territory under analysis

The territory under analysis encompasses the city of Rennes and other 37 contiguous municipalities in the Ile-et-Vilaine department in eastern Brittany. This territory identifies the boundaries of Rennes Métropole (RM), a formal *Communauté d'agglomération* (inter-municipal structure) established in 2000, with a population of over 400 000. Excluding Rennes, all the municipalities encompassed by RM are small, ranging from 700 to 16 000 inhabitants, and cannot be considered truly rural. Given their characteristics and proximity to Rennes, they are more accurately described as peri-urban.

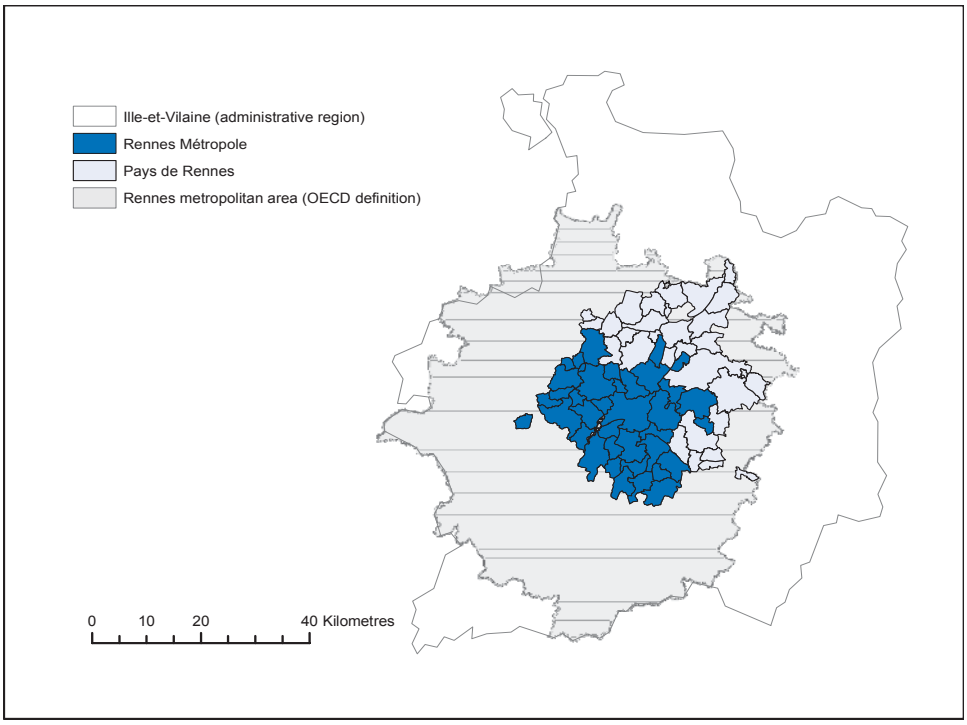
Rennes is classified by OECD as a metropolitan area. It is mainly monocentric, since the main municipality, taken alone, houses half of its total population and represents the core of the area in terms of economic activity and jobs. Daily commuting flows are organised in a radial way, from peripheral municipalities towards the centre, following a pattern typical of monocentric regions. However, the morphology of the area is that of an urban "archipelago" in which small municipalities – thanks to ambitious spatial planning – have become denser in terms of population per square kilometre, with the goal of preserving rural landscape. In terms of existing and planned built environment, RM is characterised by a degree of polycentricity or, more precisely, "decentralised concentration" (Frey, 1999).

The perimeter of RM was chosen by the authorities as the main unit of analysis for assessing relationships between urban and rural areas, since the RM is the institutional body where territorial policy is implemented and projects launched. However, several other definitions of Rennes can be taken into account (Figure 10.1). One is the Pays de Rennes, another administrative definition based on elements of economic, cultural and social cohesion.[1] This encompasses a wider territory than RM (Table 10.1) and currently demarcates an area for planning, under the key document, the *Schéma de cohérence territoriale* (SCoT). In some respects, the boundary of the Pays de Rennes could be considered more appropriate than the RM's for dealing with relationships between rural and urban areas. In fact, territorial integration extends beyond the boundaries of RM and includes many more rural municipalities, some of which are included in the Pays de Rennes.

Other spatial definitions are represented by the urban area (*aire urbaine*) and the employment area (*zone d'emploi*). The former is identified by the French National Institute for Statistics (INSEE) and represents Rennes' area of influence in terms of commuting flows. The related concept of the employment area represents the maximum boundaries of self-containment of the labour market. A concept close to that of the urban area has been developed by OECD, by mapping urban areas across OECD countries (OECD, 2012). The *aire urbaine* includes a much wider territory than RM, with 141 municipalities and 675 000 inhabitants in 2010.[2] *Aire urbaine* and *zone d'emploi* are pure concepts of functional region, and neither political nor administrative powers are associated with these spatial levels. However, they help identify the peripheral and mostly

rural territories functionally integrated with Rennes that are potential partners in rural-urban co-operation processes. These areas are used to inform policy on economic development and innovation, which clearly require larger spaces than those relevant for service provision.

Figure 10.1. **Administrative vs. functional boundaries in Rennes**



Note: This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

Table 10.1. **Basic statistics on different territorial definitions in Rennes (2011)**

Territorial level	Number of municipalities	Area (km²)	Population	Population density (population/km²)
Rennes municipality	1	50.4	207 450	4 116.1
Rennes Métropole (RM)	38	640	404 000	631.3
Pays de Rennes[a]	69	1 173	461 642	393.6
Urban area	141	2 536.4	675 000	266.1

Note: a) Year 2009.

Source: INSEE and AUDIAR (estimations 2011).

Socio-economic profile

In terms of basic economic indicators, the area of Rennes reflects a situation approximately aligned with that of France and of the OECD average (in Table 10.2, due to the limited data available, some indicators refer to the closest administrative level, TL3). However, Rennes seems to show more economic dynamism than France as a whole, especially in terms of population age and patents. The high number of patent

applications indicates a high innovative potential, which can be related to the major role of research and universities in the area.

Table 10.2. **Rennes Métropole socio-economic indicators (2009 unless otherwise indicated)**

	RM	Ille-et-Vilaine (TL3)	France	OECD
GDP per capita (USD, PPP), 2010		28 312	29 636	30 156
Unemployment rate (%), 2009	9.3	5.4	9.0	8.1
Elderly dependency rate [a] (%), 2011	20.5[a]	23.6	25.8	22.1
Patent applications per million inhabitants, 2010		164.5	113.6	137.7

Note: a) The elderly dependency rate for RM refers to 2008 and is calculated as the ratio between people older than 65 and people aged 20-64.

Source: INSEE; OECD (2013), *OECD Regional Statistics* (database), http://dx.doi.org/10.1787/region-data-en.

In terms of economic structure, RM is specialised in services, with a strong presence of research, universities and knowledge-intensive services. RM is an important ICT pole in France after Paris, both for number of employees and turnover. It also has a large automotive plant, with almost 6 000 employees.[3] Manufacturing is also relevant, with a relatively high presence of SMEs. However, the construction sector was by far the most dynamic until 2007 (accounting for more than 21.9% of employees between 2002 and 2007), boosted by the positive demographic trends already mentioned. The *zone d'emploi* of Rennes, a larger, functionally integrated territory, includes a rural area where farming is a key economic activity and agro-industry has developed a specialisation in dairy and herding hogs. In this larger area, services and commerce together account for almost 78% of the employees in the whole area. Agriculture occupies a large part of the space: around 55% of the Pays de Rennes area (115 000 hectares) is devoted to agriculture, 15% to natural spaces and 30% to urbanised land. Agriculture covers 62 000 hectares, with 1 300 farms, provides 3 000 jobs and by extension 4 500 jobs in the food industry. It is predominantly oriented toward national and international markets (milk, cereals, pork), with only a small fraction devoted to local markets (e.g. vegetables).

Strengths and challenges of the region

Rennes is one of the best-performing and most dynamic regions in France. Between 1999 and 2008, Rennes' *aire urbaine* had the third-highest population growth among the largest 30 French *aires urbaines*. RM in the same period was the fourth fastest-growing of France's inter-municipal structures (*Communautés d'agglomérations*) with more than 250 000 inhabitants (+0.8%). Since 1999, none of the municipalities of the RM have lost population. However, the municipalities at the periphery of the *aire urbaine* are growing the most rapidly, while on average, those close to Rennes are growing more slowly. On the whole, internal migration flows from the main urban centre towards more rural areas.[4] Of the people who are migrating to RM from elsewhere, almost half are young workers, but students are another important component of the population (59 000, 151 out of every 1 000 inhabitants).

Partnership purpose and characteristics

The rural-urban partnership in question is one of the *Communautés d'agglomérations,* the inter-communal structure of Rennes Métropole (see Box 10.1). The *Communautés* are formal voluntary organisations for municipal co-operation introduced by law in 1999 to reduce governance complexity and improve co-ordination of urban functions and service delivery. They provide a governance scheme for territorial interdependency, control over land use and, more generally, for designing and implementing development strategies. The administrative fragmentation of French municipalities (of which there are 36 000 in total) was the impetus for creating these inter-municipal structures.

Partnership structure

RM is a management oriented inter-municipal structure, which distinguishes it from other rural- urban partnerships in France, project-oriented or planning inter-municipal structures such as the Pays de Rennes. However, this mechanism of formation does not ensure that the resulting structure is the appropriate area for spatial policy making (Booth, 2009). It is voluntary to the extent that municipalities elect to join, and a group of communes constitutes a "public establishment for intercommunal co-operation" (EPCI). National financial incentives (*dotations d'intercommunalité*) were provided to create RM. On joining, the municipalities accept a single business tax and delegate certain powers, which they then have no authority to exercise (OECD, 2006). The aim is to reach higher economies of scale in the provision of services, as well as more capacity and co-ordinated action. The transfer of responsibilities typically flows upstream from the communes to the inter-communal structure, and may be increased depending on the type of commune.

On joining, the communes are also encouraged to pool their resources. The fiscal resources of the EPCI consist either of budgetary contributions from the communes (for the syndicates) or their own taxation powers (for the EPCI). RM collects and then redistributes local municipal contributions according to existing needs, whether in terms of affordable housing, transport infrastructure or economic development. RM also provides long-standing political consistency, both politically but also in terms of its principal values, political drivers and strategic vision.

This structure, which is administered by delegates of the municipal councils of member communes, is distinguished from sub-national authorities by its limited, specialised powers and compulsory state involvement in its creation. Decisions are typically taken unanimously by the 38 member municipalities. It was formed in 2000 from the previous Urban District of the Conurbation of Rennes.[5] The partnership goals include economic development, land-use planning, social cohesion and housing, and city government policies. The partnership accounts for a population of more than 400 000 inhabitants and employs about 1 100 people. The RM Community Council is fairly large, with a president, 25 vice presidents, 5 delegated advisers and 80 municipal delegates. These 111 delegates meet every month in public sessions and deliberate on strategic orientations, projects and actions in all fields of competence.

The planning or "project-oriented" organism also fosters a rural-urban partnership, joining communes in a less binding construct, e.g. *Pays de Rennes*. Its aims are less ambitious, addressing economic and social issues through the design and implementation of common territorial plans, but the process involves a wider range of actors, the communes plus different local stakeholders. On the whole, a trade-off may be needed between the number of municipalities partnering in the co-operation structure, reflecting

the geography of the partnership and the level of formalisation and power given to the inter-municipal structure.

Box 10.1. **Inter-communality in France**

Management inter-communal structure

Inter-communality, the voluntary linking of communes, has been a way of responding to the obvious need to work together in creating services, facilities and infrastructure. This need reflects both the number of sparsely populated rural communes and the emergence of urban "agglomerations" (strings of adjacent or neighbouring municipalities). Initially, it sought to overcome the drawbacks of communal proliferation by creating associations to fulfil technical functions. It was for this purpose that the syndicats intercommunaux à vocation unique ("single-purpose inter-communal associations" or "syndicates", SIVU) were created in 1890. Multi-purpose syndicates (SIVOM) became possible in 1959. In 1966, the "urban community", a highly integrated form of co-operation to which a dozen different responsibilities must be transferred, was created to address the problems associated with large metropolitan areas. Four urban communities were created in Bordeaux, Lille, Strasbourg and Marseille.

There are three types of inter-communal structures:

Type of inter-communal structure	Allocation of responsibilities
Communities of communes (*communautés de communes*, groupings of small rural communes).	No strict allocation of responsibilities.
Agglomeration communities (*communautés d'agglomération)* must cover at least 50 000 people centred on a commune or municipality of at least 15 000 and are obliged to impose a single business tax.	The agglomeration communities are required to exercise four blocks of responsibilities, relating to economic development, land-use planning, social balance and housing, and city government policies.
Urban communities (*communautés urbaines)* must include 500 000 people.	The urban communities have six blocks of responsibilities allocated by the communes: economic, social and cultural development, housing and urban planning, city government policy and public services, and environmental protection and improvement.

Planning or project-oriented inter-communal structure

A pays may be constituted at the initiative of communes or groups of communes, which must then adopt a charter (charte de pays). This charter, taking into account existing local dynamics, supports development plans focused on reinforcing solidarity between the city and the countryside. A sustainable development council, composed of economic, social, cultural and association representatives, must be set up to help to prepare the charter. The charter contains three elements: a diagnosis, strategic themes and cartographic documents. It must contain a presentation of the territory's geography and its prospects, and must propose options and priorities. Although the pays is not strictly a sub-national authority, this hybrid structure helps to deepen inter-communality, and the borders of the pays must respect those of the local inter-communalities.

Source: OECD (2006), *OECD Territorial Reviews: France 2006*, OECD Publishing, http://dx.doi.org/10.1787/9789264022669-en.

The RM carries out sectoral activities to deal with rural-urban relationships, focusing on the following issues:

- territorial coherence and land preservation, through the regional co-ordination of local spatial planning regimes and transit management systems (i.e. regional spatial planning)

- social cohesion through the development of a local housing programme and the design of high-quality social housing estates
- quality of life and identity preservation, principally through the protection of threatened farms and traditionally "iconic" landscapes
- attractiveness and economic development, including support for the development of an integrated fibre-optics grid, workforce training and support, and tourism promotion
- ecological sustainability, through, for example, climate planning; water-quality improvements and technical monitoring and improvement of local sustainable energy action plans (SEAPs).

These five aims pursued by the RM are integrated in its Strategic Plan, which was approved in 2006 and which includes housing, urban mobility, social development and cohesion, local agriculture, and economic development. In this Strategic Plan, land use is carried out through a powerful planning instrument, the SCoT, which co-ordinates existing municipal plans. Formally, the SCoT does not focus only on the RM, but is enacted at the level of the Pays de Rennes. This allows more rural areas functionally integrated with Rennes but not included in the RM to be considered in land development decisions.

At the basis of the RM's co-operation system are several unique factors that are not easily replicated elsewhere. The first is its long tradition of institutional co-operation, which dates at least to 1970, when the Rennes Urban District was created.[6] This long-standing co-operation has created trust and mutual understanding, the foundation of sustainable co-operation. The second is the territorial identity of the area of Rennes, which has a strong sense of collectivity and social capital. The third is the political coherence of the local governments that participate in the partnership. Many of the elected governments belong to the same political party, and this may facilitate institutional dialogue and fiscal co-ordination (Santolini, 2009).

Spatial planning and land use

The RM exhibits an impressive strategic and detailed approach to spatial planning through the SCoT. It includes 64 municipalities, a larger area and population than covered by RM. The focus as explained by informants is the "durability of the strategy; the importance of evidence in informing the plan; and the aim to move Rennes to a higher-level urban area but with a consistency of policies to ensure desired environmental, social and economic outcomes". The SCoT mainly focuses on the aims of territorial coherence and land preservation, but it affects much more. Besides ensuring attractiveness, economic development and innovation, its other priorities include:

- limiting the urbanisation of natural and agricultural spaces
- promoting a social mix through a Local Housing Programme (*Programme Local de l'Habitat*, PLH) which aims to build 4 500 new housing units per year (25% of which are dedicated to social housing)
- organising a multi-modal system of transport, combining metro, buses and bicycles; transport between municipalities is planned through PDU (*Plans de déplacement urbain*).

Land use is a political priority. The current model for urban development is to create "the urban archipelago". This envisages developing surrounding communes to a high density urban form whilst preserving "urban fields" between the areas of expansion. Farming is to be maintained just outside the built-up areas. The idea is to promote the densification of secondary urban poles and involve them in producing key public goods, such as transport and social housing. This is to keep housing affordable and avoid congestion as far as possible in a territory where the central city is still the main employer and the main recreational area. The urban archipelago recognises a desire to live outside the city of Rennes whilst resisting sprawl and poor access to services and employment. Through the SCoT, each municipality is subject to a minimum scale and density of development approved and enforced by the state.

The SCoT has affected rural areas within the RM. Since its introduction, the RM has been aimed to efficiently integrate urban space with nearby rural areas. This has been done in several ways. First, the plan created rural "reserves", areas that are protected from urban development but that fully represent parts of the metropolitan (functional) region. This is a new trend, to be distinguished from the old approach, which first created the greenbelt around the city. The aim is to avoid urban sprawl while mixing urban and rural landscape, through the development of what is also called "urban" (or peri-urban) agriculture (Donadieu and Fleury, 2003). In this new planning system, rural land is now protected by urban planners, with the aim of preserving the landscape through small-scale farming. Traditional activities related to dairy production or other intensive uses of agricultural land cannot always be implemented in these areas, given their proximity to densely populated areas.

Environmental policy

The RM is very active in climate change mitigation policy, having launched an ambitious project to lower CO_2 emissions in the region by 2020. The strategy underlying this project involves municipalities through their participation in the Covenant of Mayors. The latter is the mainstream European movement involving local and regional authorities in the fight against climate change. The RM co-ordinates and supports municipalities participating in the Covenant of Mayors and shares information and best practices with them. A local agency (ALEC) created for this purpose is active at the level of the Pays de Rennes and helps each municipality monitor the state of activities at municipal and, indirectly, at the level of the whole territory.

Economic development and mobility

The SCoT is also a tool for economic development. It emerges as a model for urban growth and development, while maintaining a strong emphasis on both sustainability and social cohesion. For the purposes of economic development, a notion of the functional region, such as "employment catchments", was cited as the optimal unit for policy. The RM is trying to cluster economic activities in its territory, offering access to key services (business services and transport). It was only in relation to economic development and employment that the needs of rural small and medium enterprises (SMEs) were considered, and also in how they might benefit from the relationship with the RM.

Labour market policy is being carried out through the *Maison d'emploi*, an agency created by the French state in 2005. Its budget in 2011 was EUR 1.7 million. This agency works in collaboration with the RM, but focuses mostly on the portion of the territory that is not included in the perimeter of the RM, with a dense presence of SMEs in

agro-industry. The *Maison d'emploi* thus operates at a functional area level in a territory close to that of the employment area (*zone d'emploi*), with some differences due to institutional viability (135 municipalities, 3 *pays*, for a total of 580 000 inhabitants). Its main activities are those of providing training, matching labour demand and supply, encouraging dialogue among economic actors and promoting the creation of firms in the territory. As European cohesion policy focuses on functional regions, and education and training are rising in importance on the policy agendas, the experience of the *Maison d'emploi* can been seen as a strength, compared with other territorial realities in Europe.

The RM has been particularly effective in transport policy. Municipalities have delegated almost all power to the RM, which has invested in a multi-modal transport system and in constructing and expanding an underground line. Inter-modality is pursued through exchange car parks, discount packages for frequent users and a common subscription at regional level. With a single pass, "Karrigo", passengers are entitled to use mass transit throughout Brittany. The RM is Brittany's main partner for this integrated subscription.

Partnership strengths and weaknesses

In many ways, the RM is a success, with a dynamic economy and major growth in employment, high demographic growth, an influx of active working people, and a thriving culture, including 60 000 students at 2 universities in the city. Until 2007, the RM achieved 2% annual growth (twice the French median), the number of business start-ups was higher than the national average, and the private sector invested heavily in the service sector. The economy is now knowledge-based, with 4 000 researchers in the public and private sectors. Of the incomers, 25% are middle managers. The common taxation scheme assures higher levels of equity, strengthens ties among municipalities and reduces counterproductive fiscal competition. The RM's growth has stimulated farmers to diversify and sell direct to local markets or to the public – so-called "short-circuit distribution" – although this is still relatively underdeveloped and remains a marginal activity for most peri-urban farmers.

What distinguishes Rennes is the central role played by a locally confident and assertive public sector. The town planning implemented in and around Rennes has significantly ameliorated (if not eliminated) many "post-metropolitan" problems experienced elsewhere. The most important of these are an absolute decline in urban quality of life, the rising social and ecological costs of discontinuous suburban sprawl, and the stagnation and the elimination of rural contributions to metropolitan-based economies. In the RM, the inter-municipal commitment to pursuing urban vitality and preserving farmland protection – to avoiding "planned sprawl" – is high.

The governance scheme is well organised, effective and integrated both horizontally (between activities and between sectors) and vertically (between territorial scales). A long history of dialogue and co-operation allows actors to capitalise on past experiences, benefiting from institutional continuity. A climate of trust, historically high in the region, has been reinforced. The relationships between rural and urban areas seem to be well balanced. The voting system is equitable, given that the city of Rennes holds only 40% of the votes, although it accounts for 55% of the population. However, to enlarge the number of partners, the inclusiveness of the governance scheme may need to be further increased.

The RM has shown it can incorporate and work with smaller peri-rural municipalities on an overall vision for Rennes. The RM articulates a positive and integrated approach to sustainability to spatial planning. Part of the effectiveness of the co-operation in Rennes appears to be related to the power and value of the policy instruments used. The SCoT provides an opportunity to integrate important features for rural areas in planning, ranging from the risk of disappearance of public services (postal service, health, education) to housing and the preservation of farmland and the landscape. Similarly, the SCoT has been effective in improving the quality of the built environment in the surroundings of Rennes, and has also transformed agricultural land within the metropolitan region.

However, detailed planning instruments used at municipal level (e.g. *plans d'occupation des sols* or POS, and *plans locaux d'urbanisme*, or PLU) can undermine the effectiveness of the SCoT, which could become a way of grouping different plans rather than undertaking genuine planning at a wider spatial level (Booth, 2009). Less interest has been shown in the contribution of rural areas to the economy and the role of agri-businesses, the potential of rural SMEs, the scope for short-circuit food chains, and the supply of labour market skills. Contiguity between urban areas and rural areas (high density close to low density – i.e. the archipelago model) is not necessarily effective in preserving rurality. The presence of urban dwellers gentrifies rural activities such as herding or intensive agriculture, and only small-scale activities are tolerated. These could be economically unsustainable. In addition, some questions have arisen about the planning designation of "urban fields" in the SCoT with the Chamber of Agriculture, suggesting the need for stronger protection than is currently provided. The consideration of rural areas beyond the peri-urban is less clear and is not covered by the SCoT. The role and issues associated with rural areas further away from Rennes but within its direct sphere of influence were not discussed or represented within RM.

RM could be viewed more as a model of urban rather than rural-urban development. As a metropolitan area, the RM is acquisitive and presents a persuasive business model, both in terms of its redistributive fiscal management but also in terms of the strength of its future prospects to nearby rural areas. It provides consensual and consistent governance to achieve a shared vision of sustainability, social cohesion and economic vitality. Similarly, the SCoT is more a model for urban growth and development. Within this framework, peri-urban areas become absorbed into the city, both in terms of urban form and in terms of municipal decision making. The SCoT has improved the quality of the built environment in the surroundings of Rennes, but it has also transformed land use in rural areas within the metro-region.

RM presents less of a partnership or prospect for rural areas unless an expanded SCoT and the "employment catchments" incorporate a stronger sense of what rural areas can add. Discussions with RM officials reveal that the economy of this "urban crown" has an important rural component that is based primarily on SMEs, and farming activities, in particular dairy farming. Less emphasis appears to be placed on rural-urban partnerships that would link the RM with rural supply chains, particularly in terms of farming and renewable energy. The RM includes some 700 farms, and farming supports nearly 10 000 jobs. Farming is mainly dairy cattle, and the region produces more dairy produce than any other region in France. Economies of space and its viable exploitation are a priority for farmers. Underlying this challenge is the need to better integrate agriculture with the overall planning activity. An overly sectoral organisation of planning responsibilities can in fact impede the integration of agriculture and food industry in the planning instruments (Perrin, 2012).

Another important variable is the inability of institutions within the RM to connect or co-ordinate the action of agricultural activities and representative bodies. This is due to the fact that farmers are used to dealing directly with Paris or Brussels. This reduces the possibility of linking agriculture to other key sectors and maximising the potential of the structure for rural-urban links. Farmers operating in these activities have little incentive to co-operate with the RM. Specifically, the "urban archipelago" is not particularly compatible with productive large-scale agriculture, whose externalities – pollution, unpleasant smells, noises and farm transport – are not always consistent with other local needs and with the idyllic vision of rural life. Only urban agriculture, focused on small-scale and landscape-friendly activities in the green space around cities appears to be well integrated in the partnerships.

Box 10.2. **Integrating agriculture in Rennes Métropole**

Agriculture is involved in several partnerships within RM. In most cases, the aim is to preserve rural land from urban pressure, while facilitating small-scale farming activities for the production of public goods (landscape, quality of life) and niche consumption products. Among others, the following initiatives were launched.

- Four organisations signed a Local Programme for Agriculture (PLA) in 2008. These included the Pays de Rennes, Rennes Métropole, the Chamber of Agriculture and the *Sociétés d'aménagement foncier et d'établissement rural* (SAFER), a system of land market regulation that involves the government and farmers' organisations. The PLA's key objective is reconciling the interests of agriculture, land management and urbanisation. The programme has several goals, such as strengthening links and mutual understanding between farmers and "urban citizens"; diversification of farming activity (agro-tourism, services, green leisure, direct selling, "short-circuit marketing", etc.) and development of the potential for renewable energies (biomass, etc.).
- The SCoT has developed the concept of "urban fields" (*champs urbains*) to preserve a place for agriculture within the urban fabric. The aim is to limit urban sprawl and preserve proximity between farms and citizens. These parcels of land, dedicated to agriculture (reserved areas), are sustainably protected from any future development.
- An observatory for agriculture was created by the Agency for Urbanism of Rennes Agglomeration (AUDIAR). The monitoring and data the observatory provides are a basis for improving the dialogue between the farm world and the mostly urban elected decision makers, around common challenges.
- A Charter of Agriculture and Urbanism has been drawn up by the Pays de Rennes. Its key objectives include limiting urban sprawl; protecting natural and agricultural spaces; managing the development of new activity zones; and reinforcing the links between farmers and other service users.

In general, several organisations co-operate, and a wide variety of tools are used to foster close links and more interaction between agriculture and urban people (daily life, services, food markets). This can help preserve economic activities in the agricultural sector, while at the same time producing public goods for local people and increasing the attractiveness of the area. However, promoting proximity between agriculture and urban areas generates some conflicts between farmers and urban/peri-urban residents, as well as between different types of activities. The fragmentation of farm land parcels by urban settlements makes on-farm transport difficult, and road traffic can be disturbed by agricultural machines. In addition, urban residents are sensitive to the noise and unpleasant smells of agricultural activity.

While the RM is active in climate change mitigation policies, it is not as effective in tackling the real environmental challenges of the region. The RM has launched an ambitious policy to lower carbon dioxide emissions in the region. This strategy involves municipalities, through their participation in the Covenant of Mayors. However, the RM is not yet dealing with the soil and water pollution problems related to intensive herding. The region produces 4 700 billion litres of milk per year (2007) and almost 1 million cattle (meat production). There are also 8 million hogs (Brittany is France's dominant region in this industry). Organic waste is a big threat to environmental sustainability. Urban areas, however, are unable to produce advanced services, or to represent a potential market for the energy that could be produced from this waste, due to the disconnect between urban functions and agriculture.

The region suffers from a lack of co-ordination. Regional strategic planning (e.g. the Bretagne 2015 planning document) is well linked – at least in terms of co-operation and dialogue – with the activity of the RM. By comparison with other inter-municipal structures in France, the RM on average leaves more competences to municipalities, which still implement strategies and policies taken at the level of the RM. Strong reductions of power are not easily accepted, so an expansion of the RM or an increase of its competences may not be easy to achieve. Some of the advantages of inter-municipal structures may have been compensated for by increasing administrative complexity. As long as municipalities remain the basic unit of democratic accountability, policies aimed at overcoming inappropriate administrative boundaries may increase the administrative burden at the expense of simplicity and efficiency.

Conclusions and looking ahead

Rennes is a complex mix of small town, micro-village, agricultural, post-suburban and either "neo-rural" or "post-rural" landscapes and contemporary economies – anchored by a historic city. This mix forces a reconsideration of what "rural" means in close proximity to cities, but also of concept of the urban and suburban. The RM is effective both in terms of its spatial boundaries and scheme of governance. Some points for consideration include:

1. More consideration should be given to a larger geographical space for co-operation. The Pays de Rennes is a better unit for urban-rural partnership than the RM, but in many respects, the space of co-operation could be even larger. The links and co-operation between Rennes Métropole and the larger area should be investigated using three circles: first, a perimeter including the key mid-towns of the periphery (Saint-Malo, Fougeres, Dinan, Redon, etc.) ; second, the Brittany region; and third, the increasing links between Nantes Métropole and Rennes Métropole (located 100 kilometres apart, with common spheres of influence). Thought should also be given to future development. In 20 years, Rennes Métropole could include 500 000 inhabitants, many living in peripheral towns of medium size (Saint-Malo, Fougeres, Dinan, Redon) and along their arterial roads. These demographic trends and settlements would obviously create new challenges.
2. The problem of the enlargement of geography of co-operation and policy is a problem of governance. Increasing the number of municipalities in a structure such as the RM causes co-ordination and accountability problems. Neither citizens nor politicians may feel they want to operate in too large and numerous a partnership. A possible solution to this problem is represented by dividing the

inter-municipal structure into geographic sectors or smaller sub-groups of municipalities, following Lyon's example. This way, the decision-making process would be facilitated until a final decision is taken at the level of the whole area.

3. The "urban fields" approach needs to be more than a land-use designation. It should also be seen as a way to stimulate the local food economy and developing new activities, such as market gardening. This would forestall the threat of farmland being aggregated without any local farmers to manage it to best effect, given its proximity to the RM and the threat of converting land from dairy to arable. While "urban fields" occupy farmland, it is harder to retain the farms, as farmers realise the value of their farm buildings for urban development and move to other rural locations.
4. A common strategy for economic development is needed within the region. The current administrative organisation does not facilitate policy integration. The introduction of inter-municipal structures in France has not brought any reduction in municipalities' spending, even though they have relinquished some of their functions. In fact, a net increase in the number of public servants has resulted (OECD, 2006). If the functions are not clearly divided, these structures may increase the administrative burden and generate undesirable overlaps. The introduction of "management-oriented" inter-municipal structures has been driven, among other things, by the need to reach economies of scale and rationalise service provision. More efforts are needed to evaluate this higher efficiency.

Notes

1. Law 95-115, 4 February 1995.
2. AUDIAR estimate.
3. The plant is located in the municipality of Chartres-de-Bretagne, in the southern part of the RM.
4. Audiar elaboration from INSEE data.
5. This was created in 1970 and consisted of a public body for inter-municipal co-operation made up of Rennes and 26 surrounding municipalities.
6. France's first experiment with inter-municipal co-operation started in 1890 with the *syndicats interccommunaux á vocation unique* ("single-purpose inter-communal associations"), to deal with municipal proliferation.

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Chapter 11

Germany: Nuremberg Metropolitan Region

Summary and conclusions

Main findings. (1) The Nuremberg Metropolitan Region (NRM) covers a wide territory that includes urban and rural areas located in different labour markets, but with common functions. (2) The main challenges of the region are demographic decline and the need to keep young and skilled workers within the region after providing them with an education. (3) Leadership played an important role in the emergence of the rural-urban partnership. (4) Building a regional identity and fostering co-operation among areas with no history of trust has involved a two-stage approach to rural-urban partnerships, with the first phase devoted primarily to region and identity building. (5) The choice of "win-win" projects helped to avoid conflict both within the partnership (between the partners) and outside it (in relation to state and municipal responsibilities). (6) The adoption of a consensus approach and a principle of equal representation helped to overcome partners' suspicions that a dominant partner with more resources and capacity would shape the debate. (7) The links between rural and urban areas in common economic activities are mainly associated with agriculture and food production. (8) The factors that enabled the partnership to thrive include: an understanding of the interdependence of rural and urban areas, clearly defined objectives, representational membership, democratic participation and strong leadership. Factors that could slow the growth of the partnership are a financial situation dependent on subsidies and a focus on measuring inputs, rather than results. A lack of data has made it difficult to ascertain the economic impact of the partnership on the region.

Territory under analysis. The boundary of the NMR covers a much wider region than a conventional functional area defined in terms of labour market self-containment. Its territory encompasses four different functional metropolitan areas and a wide rural territory surrounding them. Land-based economic complementarities, innovation, the public transport network and common territorial identity have helped define the current boundaries of the NMR as a space of co-operation. The region is a set of contiguous administrative districts, 11 of which are urban and 22 rural. However, collaboration between the towns and rural areas is perceived as much more important than the boundaries between urban and rural areas. The NMR has a population of 3.5 million and covers an area of 21 349 km². The districts are at an intermediate level of administration, between the Länder (German states) and the municipal governments.

Historical background of the partnership. Due to their small size, the core cities were not able to become a leading hub without the co-operation of their hinterlands. The partnership is a voluntary municipal alliance legally defined as a "statutory body sui generis under public law". It was formally set up in 2005 under an agreement between 60 politicians and various stakeholders. It grew out of a combination of top-down (the MORO "Supra-Regional Partnership" project, a national initiative for urban-rural co-operation) and bottom-up processes (the Lord Mayor of Nuremberg's vision of fighting the pressures of globalisation through more structured, formal co-operation efforts).

Partnership activities. The focus of the partnership is twofold, to better access state and federal funds and to boost the region's status in global markets (e.g. to attract skilled workers and tourists). The region conducts expert forums where initiatives are cultivated for approval by the Council and are tasked with developing projects that strengthen intra-regional collaboration and identity. These groups rely heavily on good-faith efforts of voluntary professionals.

Future challenges. The partnership has substantially improved the region's overall governance. It has moreover been successful in "region-building" (creating identity and trust). The question remains whether this represents the limit of what can be achieved or a first step towards something more ambitious. In the future, the challenge will be to maintain rural-urban relationships as the partnership is asked to move away from "win-win" projects, programmes and initiatives. Some efforts should focus on improving the region's material understanding of itself through better data on the real space-economy. Informants in rural areas noted a decline in retail activity, associated with improved public transport that facilitated travel to Nuremberg. However, there was no significant discussion of the issues facing rural regions. As the partnership begins to focus more on cultivating alternative resources in collaboration with the private sector, an emphasis on measuring results could allow for better targeting of resources. The political nature of the partnership makes it vulnerable to the democratic process, and any movement to balance political dependence with other stabilising factors is probably advisable. While the focus on land-based activities creates a strong link between rural and urban, the partnership had no data to share on differences in standards of living or provision of services in the territory.

Regional overview

The territory under analysis is the Metropolitan Region of Nuremberg (NMR). It is home to a population of 3.5 million and covers an area of 21 349 square kilometres. Its geographical boundaries are self-defined, based on their particular organisational structure and areas of co-operation. The NMR is composed of 33 administrative districts, which engage voluntarily in project-based co-operation, stimulated by a national initiative for urban-rural co-operation, the "Supra-Regional Partnership" project (MORO). These districts, an intermediate level of administration between the *Länder* (Germany's federal states) and the municipal governments, comprise 22 counties (rural districts) and 11 cities in Central Franconia, Upper Franconia, Lower Franconia and Oberpfalz. The majority of the territory is rural, but four other significant cities account for almost as much of the population as Nuremberg (Table 11.1). The German federal government and the *Länder* jointly developed a nationwide metropolitan region concept and incorporated it into the concepts for spatial development (BBSR, 2011: 19). The Standing Conference of State Ministries Responsible for Spatial Planning (*Ministerkonferenz für Raumordnung*, MKRO) of European Metropolitan Regions, high-performance urban regions with economic functions that transcend national boundaries, recognised the Nuremberg Metropolitan Region in 2005.

Table 11.1. **Nuremberg Metropolitan Region key facts**

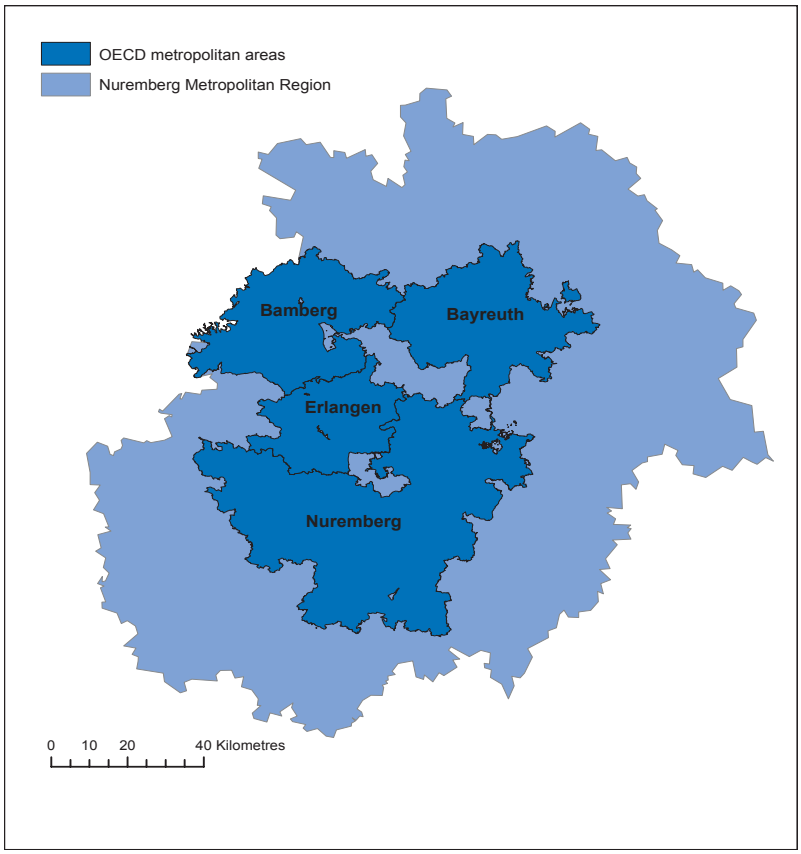
Indicator	Value
Area (km²)	21 349
Population (millions), 2010	3.45
Population density (inhabitants/km²), 2010	161
Population trend, 2010-11	-1.00%
GDP per worker (EUR), 2010	59 157
Number of firms, 2010	162 237
Workforce (millions), 2009	1.8
Export rate, 2010	47.3%
Unemployment rate, 2006	7.8%
Population growth, 1995-2010	0.1%
Universities and colleges	19
Research institutes, 2006	35
Students (winter semester 2010/2011)	69 500

Source: www.metropolregionnuernberg.de/en/region/daten-fakten.html; OECD (2012), "Rurban background report: Nuremberg Metropolitan Region", unpublished.

The boundaries of the NMR demarcate a region that is much more extensive than a conventional functional area defined in terms of labour market self-containment. According to the OECD identification of functional metropolitan areas undertaken in 2012, the territory of the NMR encompasses four almost contiguous functional

metropolitan areas, Nuremberg, Bayreuth, Bamberg and Erlangen, and roughly the same amount of surrounding rural territory (Figure 11.1). The functions underlying urban-rural relationships in the region extend well beyond daily labour market interactions. Collaboration between towns and rural areas is more important than boundaries between urban and rural areas. One of the main determinants of the current boundary of the NMR is the integrated public transport system. This network of public transport is a strong unifying element that allows for reciprocal exchanges of population (carrying workers from the periphery to the centre and tourists from the centre to the periphery). The proximity of the Czech border is an asset for communes close to the border (cross-border co-operation), but it also plays a role in transport connections for the whole territory and especially the cities (as a transport hub in the middle of Europe).

Figure 11.1. **Boundaries of the Nuremberg Metropolitan Region and OECD metropolitan areas**



Note: This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

The Nuremberg agglomeration, including Erlangen, Fürth and Schwabach, is the region's business and transport hub, which is linked to clusters of business, science and culture in the other towns and rural districts. These linkages are enhanced by improved public transit radiating out from Nuremberg, which encourages city residents to explore the surrounding countryside and enhances regional social cohesion; the recognition that Nuremberg provides a high level of services for the region, and that manufacturing is dispersed throughout the region and is less important as a direct strength of Nuremberg.

The regional development strategy emphasises science-based activities located in Nuremberg or other major centres with universities.

The cluster of core cities is strongly linked to and dependent on the surrounding regions in terms of workers commuting to the city, areas for waste disposal, areas for recreation and areas for other resources (bio-energy, raw materials and food). On the other hand, the core cities provide the communes and districts with central functions (health services, higher education and culture). This makes the region a metropolitan region as outlined in the OECD's functional definition (2010). Moreover, as a result of the decision to expand public transit throughout the designated territory and to make all areas of the region fully accessible by public transit, administrative boundaries have helped to determine how people travel. In this case, transit and other public policies have reshaped behavioural patterns to correspond with administrative boundaries. As a result, the NMR is becoming increasingly like a functional region.

Socio-economic profile

The NMR is one of Germany's ten largest economic regions. The smaller and peripheral areas have between 50 000 to 100 000 inhabitants, with an average density of less than 100 inhabitants/km^2 (OECD, 2012). The larger cities, Nuremberg, Fürth, Erlangen and Schwabach, have about 1.5 million inhabitants and a population density of over 1 000 inhabitants per square kilometre. In the mix, Nuremberg is clearly the dominant city, with one-quarter of the population, 37% of those employed and 37% of the region's GDP. It is also the retail, commercial and education centre of the region. As a whole, the Nuremberg region has lost population in recent years (OECD, 2012). In metropolitan regions of Europe and Germany with similarly stagnating or declining populations, and as is also the case in the United States, the relationship between localities "is often characterised by competition (for inhabitants and growth) in which new areas are developed at the expense of existing urban areas" (Nuissl et al., 2007).

According to the industry and infrastructure data provided, the region is a viable economic engine in Germany, with a GDP of EUR 111 billion in 2008 and strong economic performance. This makes it the third-strongest among the European metropolitan regions in Germany – after Munich and the Frankfurt/Rhine-Main area (NMR Industry & Infrastructure Summary, 2011). There are 7 major clusters[1] and over 162 000 firms, a number of them very well known. The firms are a balanced mix of large companies and small and medium enterprises, as well as high-tech industrial companies with a large share of export activities, 47.3% in 2010. Located 100 kilometres from the border of the Czech Republic, the region is a well-connected "gateway" where three trans-European networks intersect and two Pan-European corridors start. It is considered a core region for advanced technical solutions in wastewater treatment, water supply, energy efficiency technologies, renewable energy and intelligent traffic systems.

The region is not culturally or historically homogeneous, so its borders do not follow traditional cultural boundaries. While the majority of the territory is in the historic Franconia region, parts of Franconia are not included, while a portion is in the Palatinate. Each of the cities is a significant central focus for the surrounding district, which is definitely more rural in nature. This raises the question of the different types of rurality. From the perspective of the city of Nuremberg, other than perhaps Fürth and Erlangen, the rest of the region is likely to be seen as rural. But from the perspective of other cities, say Hof (46 000) or Bamberg (70 000), each of which are urban centres for a surrounding rural district, they too are urban (Table 11.2).

Strengths and challenges of the region

The NMR is described as a well-developed and cohesive region with considerable industrialisation, but this was not always the case. Its main challenges are demographic decline and the need to keep young and skilled labour within the region after providing them with an education. One of the interesting features of the region is that the rural and suburban areas surrounding the cities have been losing population for many years. As a consequence, pressures from commuting and the outward development of the urban area appear to be welcomed as a means of stabilising the population and halting this decline. This stands in contrast to urban-rural relationships in other areas of Europe, where the spread of urban influence – and commuting in particular – is viewed negatively by the surrounding rural communities, both in terms of the social and environmental changes it brings and because of increased housing costs. Co-operating on economic issues and strengthening the transport network can help the area's labour market become better integrated and reach a more relevant scale – both in economic potential and by increasing its bargaining power with higher-level institutions. The region's boundaries are flexible, but the region will be stronger if they are defined by a common project and long-term vision.

Box 11.1. Defining urban and rural in Germany

Germany's federal government structure includes the federal (Bund), state (Land/Länder) and municipality (Gemeinden/Gemeindeverbande) levels. The administrative levels are not uniform but depend on the type of state (13 area and 3 city states) and the existence of a sub-regional intermediate level (22 Regierungsbezirke) in 5 of the area states. Germany is one of the most densely populated countries in the OECD, and its population is evenly distributed throughout its territory. There is no official definition of rural areas. Instead, the Federal Office of Building and Regional Planning (BBR) uses different regional classifications, depending on the type of analysis. These are based on settlement patterns, accessibility or functional areas, ranging in scale from municipalities to districts (Kreis)[1] to regional planning regions. For example, one categorisation has three territorial categories (agglomerations, urbanised areas and rural areas). In this case, rural regions (i.e. districts with a population density of more than 150 inhabitants per square kilometre, without a high-level centre of more than 100 000 inhabitants; or a region with a population density of below 100 inhabitants/km^2, with a high-level centre of more than 100 000 inhabitants/km^2) can be found in all three of these territorial categories. Each of the three types of region contain rural districts. A new spatial typology was developed in 2010, based on a two-dimensional, bottom-up approach. The first represents the geographic settlement structure by distinguishing between predominantly urban and rural areas, classified according to population density and settlement percentage (local level). The second illustrates the distinction between central and peripheral areas, classified by potentially accessible daytime population (regional level). This typology presents the rural-urban continuum in homogeneous spatial units independent of (variable) administrative boundaries.

Note: 1. In some analyses by district, the BBR groups urban districts of more than 100 000 inhabitants with their surrounding districts.

Source: OECD (2007), *OECD Rural Policy Reviews: Germany 2007*, OECD Publishing, http://dx.doi.org/10.1787/ 9789264013933-en; The Federal Office for Building and Regional Planning (BBR).

Partnership purpose and characteristics

The NMR partnership is in principle a voluntary municipal alliance legally defined as a "statutory body *sui generis* under public law". It grew out of a combination of top-down

and bottom-up processes. German society benefits from high levels of non-kinship trust in most public and private institutions – a necessary (if hardly sufficient) explanation for its overall economic strength (Fukuyama, 1995). The region of Bavaria is characterised by strong cultural interconnections and a strong territorial identity. It is one of the German *Länder* with the most deeply entrenched traditions and customs. However, within the state, any form of rural-urban collaboration between Upper Palatinate, Middle Franconia and Lower Palatinate before the NMR was characterised by low levels of trust and diverging allegiances. The NMR emerged from the MORO initiative, which launched a three-year pilot project on spatial development by the Federal Ministry of Transport, Building and Urban Affairs, in collaboration with the Federal Institute for Research on Building, Urban Affairs and Spatial Development. Its intent was to provide incentives for urban and rural areas in Germany to engage in project-oriented co-operation.

The MORO initiative provided the means, and a highly co-ordinated network of business and institutions in the region provided a platform, on which to build wider co-operation. The "cluster concepts" strategy was introduced by regional authorities in the Nuremberg region in the 1990s, due to the rapid increase in employment in the service sector and the decrease of employment in the manufacturing sectors. Global fields of growth, areas that represented the "strengths" of the region, were identified. The Bavarian state installed several universities of applied sciences in the districts of the NMR to support the maintenance and development of industrial activities (SMEs) in these fields and to stabilise the rural areas. The aim was to combat this downturn by strengthening the regional labour market and stimulating co-operation and the formation of networks between companies, as well as between companies and institutions (Litzel, N. and J. Mőller, 2011). According to the Nuremberg Chambers of Commerce and Industry, the medicine and health cluster includes over 250 medium-sized companies, a mix of manufacturers, medical research and educational institutions, clinics and service agencies.

The Lord Mayor of Nuremberg sought to capitalise on these aspects to build a region better equipped to compete in a globalised economy, in both the domestic and international markets. The region aimed to become more integrated, cohesive and recognised as a single entity, with a shared vision that "region building" would help combat the pressures of globalisation. Nuremberg was well placed to lead this initiative, because the city saw itself as being linked with, and not in opposition to, surrounding areas. The cultivation of a new, shared identity in response to globalisation was the essence of the approach to the partnership, and it is instructive to relate this to the concept of "Culture Economies" (Ray, 2001).[2] Both urban and rural partners acknowledged that a more integrated region was more likely to remain "on the map" or to gain visibility, which made it necessary to work across administrative and even national borders. In addition, the region needed to position itself internally for better access to state and federal funds and to address its demographic decline and ageing population.

The basis for the NMR is the Bad Windsheim Declaration. This sets out the principles for the partnership, one of which is rural-urban collaboration. The document notes that separating rural and urban areas or treating urban and rural as separate and/or opposing "does not correspond to historical, economic, sociological or cultural realities". The core activities for the partnership include:

1. developing an international brand, the "Nuremberg Metropolitan Region"

2. setting up a metropolitan development model based on urban and rural partnership
3. strengthening the knowledge society through a cluster policy
4. promoting integration with the Trans-European transport network.

Partnership structure

The power-sharing inner structure guarantees the functioning of the partnership. At the core is the Council of elected officials (55 lord mayors, mayors and rural district administrators, including representatives of the Bavarian state government). In the Council, decisions about strategies and common projects can only be made by consensus; each member has one vote, regardless of population size or economic strength, the "same-eye level" principle set out in the Metropolitan Charter. The principle of "one voice, one vote" has helped build trust and overcome partners' suspicions of the big city, since the rural counties outnumber the cities and could have dominated the partnership. Thus far, the focus has been on developing various projects in the fields of activity set out in the Bad Windsheim Declaration and the framework of the MORO "Supra-Regional Partnerships" (see Box 11.2). The Council is supported and guided in this process by several entities, each with its own function: the NMR Presidency, the NMR Central Office, the Steering Committee and the seven forums of expertise. In the forums, around 600 participants work on addressing the core issues concerning the metropolitan region. The steering committee discusses issues and projects concerning the metropolitan region and brings them before the Council. The management office manages the issues for the Council and the steering committee as well as the day-to-day business of the NMR.

Box 11.2. **A snapshot of Nuremberg Metropolitan Region's projects**

The Nuremberg Metropolitan Region has implemented successful projects involving over 300 stakeholders to enhance the region's appeal. Here are seven initiatives it has introduced that were evaluated and approved by its expert forums:

- Nuremberg Metropolitan Region Medical Valley: a national-level, leading-edge cluster for medical technology, its aim is to formulate solutions for future healthcare needs, securing jobs and boosting the region's competitiveness on the international market. About 180 dedicated medical engineering companies employ over 16 000 people. More than 500 000 in-patients are treated in over 40 facilities, at all levels of care, funded by a variety of sources. In January 2010, the federal Ministry of Education and Research (BMBF) declared the Medical Valley EMN a "Center of Excellence for Medical Engineering". More than EUR 80 million has since been invested in innovative and strategic projects for improvements in healthcare. Since the cluster activities began, 100 new companies have been created in the region.
- Trade Fair Concept: this project organises trade fairs in the region year-round. Its aim is to promote the region's image by attracting people and firms from Germany and abroad. The collaboration of a large number of different parties allows for resources and advertising budgets to be used more efficiently and achieves a greater impact. Trade fairs organised by the region include the toy fair, the START fair for entrepreneurs and the business-to-dialogue (b2d) fair, Dialogmesse.
- Euregio Egrensis: this co-operation platform brings together organisations from Upper Franconia and the Upper Palatinate. The objective is to foster trans-border collaboration between Germany and the Czech Republic. As a result, the two areas have developed expertise in trans-border collaboration.

Box 11.2. **A snapshot of Nuremberg Metropolitan Region's projects** (*cont.*)

- Integrated Public Transport System of the NMR: the second-largest integrated public transport system in Germany, it carries over 223 million passengers every year. The goal is to achieve full coverage of the NMR area. NMR representatives report that the integrated fare system, daily commuter traffic and the accessibility of local transport promote economic cohesiveness.

- Discovery Pass: an affordably priced admission ticket to top leisure facilities run by the NMR's office of tourism, this initiative aims to promote domestic tourism, which has been identified as an important factor in growth. Two-thirds of the region's tourists are now domestic, and the region expects a steady increase in this trend. Tourism benefits rural areas in particular, and provides important incentives for the services, retail and leisure industries. More than 120 attractions, including zoos, fairs, museums and restaurants, are affiliated with the pass. The project is funded by enterprises, savings banks and municipalities. The Discovery Pass has increased recognition of tourist attractions in the region and increased visitor traffic.

- Bayreuth Bioenergy Region: this is a combination of sophisticated energy art projects with technical projects aimed at developing renewable energy sources. The projects are related to communication, conflict prevention, education and information, as well as increasing the efficiency and sustainability of bioenergy production. The NMR believes the projects under way can increase the percentage of bioenergy as part of the total energy consumption of private households from 18% to more than 50%. The Bayreuth Bioenergy Region is estimated to create an added value of about EUR 50 million annually.

- "Original Regional – Made in the Nuremberg Metropolitan Region": a platform where different regional initiatives within the NMR can exchange experiences, create synergies and increase consumer awareness of the variety and advantages of regional products and services. Its objectives are to foster economic development, preserve employment and purchasing power in the region, safeguard the cultural landscape and contribute to climate protection. The platform is used by 22 partners, with decentralised networks taking on important tasks. Financing, from enterprises, savings and contributions from municipalities, totals EUR 250 000 a year. According to the NMR, the project has already increased the recognition and consumption of regional products.

Source: Metropolregion Nürnberg (2011), "Nuremberg Metropolitan Region projects: Creativity, internationality and quality of life", www.metropolregionnuernberg.de/en/aktivitaeten.html; Medical Valley (n.d.), The Medical Valley EMN, www.medical-valley-emn.de/en/node/3214; Euregio Egrensis (n.d.), "What is Euregio Egrensis?", www.euregio-egrensis.de/home.htm; OECD (2012), "Rurban background report: Nuremberg Metropolitan Region", unpublished.

Table 11.2. **Nuremberg Metropolitan Region governance structure**

Office of the Presidency, 3 members:	**Governance in the Nuremberg Metropolitan Region**						
President: Lord Mayor (Urban)	Council of the Metropolitan Region, 54 members						
VP: County President (Rural)	**Steering Committee** (politicians, stakeholders such as scientists, entrepreneurs, cultural managers)						
	Management Office						
VP: Mayor (Rural)	**FORUMS**						
	Industry and Infrastructure	Science	Transport and Planning	Culture	Sports	Leisure and Tourism	Marketing

A forum leverages the professional expertise and the professional relationships of its leadership team and all its members. The partnership's effectiveness relies heavily on good-faith efforts and, most importantly, high levels of high-quality personal contacts and "elite-to-elite" relationships. Forum members work in different parts of the region; they have experience and expertise. The members are well placed to find funding, and they can persuade other actors to work with the partnership. For example, if the Science Forum recommends a project, given that its members include the 19 presidents of the universities in the region, the Council will presume that the project is viable. The forum's endorsement of a project is key. This is backed by a formal rating mechanism for decisions made at the forums. They are evaluated on, among other things, how they contribute to the strategic goals of the NMR and how well they align with the principles of subsidiarity. Each council member chooses the seven most appropriate projects based on this criterion.

The forums are tasked with developing projects that strengthen intra-regional collaboration and identity. Projects and issues are selected based on exceptional achievement (excellence), supra-regional importance (internationality) and subsidiarity. For example, the climate action, green energy and sustainability projects reveal inter-governmental efforts to achieve "energy autarky" around the Bamberg area, coupled with a larger strategic focus on promoting green energy within the region, which makes ecological, territorial and probably economic sense, at least in the long-term. Multiple projects are considered, but only three can be presented to the Council, all of which could go forward or just one (see Box 11.2). The forums must know how much money is available for each project and the project identified for support must cover the Nuremberg region and respond to local needs. Forum leaders also have an advisory role in relation to the Council, as part of the Steering Committee. In practice, in advance of each Council meeting, the managing director of the partnership, the Office of the Presidency and each forum leadership team meet to discuss the issues that will be presented to the Council.

Box 11.3. **Nuremberg Metropolitan Region: Expert forums**

The process of identifying the leadership of the forums is a central element in protecting the rural-urban balance. The Office of the Presidency appoints the forum leadership. Each forum is presided over by a three-person management committee: a politician, a specialist and an executive secretary. This mix is important; the specialist is usually from the business or science sector; the political representative is from the Council (e.g. a lord mayor or county president) and the managing director is from one of the four cities, Nuremburg, Fürth, Bamberg or Erlangen.

The Central Office (CO) is exploring ways to better support the forum leadership team in developing and realising projects. At present, the CO does not have the resources to do more than facilitate the work of the forum. In the economic forum, the Managing Director is the Economic Mayor of the city of Nuremberg. His role as Economic Mayor is already quite demanding, as he oversees a large department (a staff of over 200 in the city administration of Nuremberg). However, as no supporting staff or resources are available from the CO, his role on the forum leadership team demands that he rely on his own resources, which can prove challenging. Similarly, the Culture Mayor in Erlangen is also the Managing Director of the Culture Forum, and he too has to call upon his own resources for the forum. Notwithstanding these difficulties, the capacity to engage public actors at this level, committed to working closely with the partnership, is a significant achievement.

The NMR Central Office (CO) plays a key role in ensuring that rural and urban areas issues are equally considered, ensuring less competition and more co-operation. First, when the federal ministry proposes new funding for special projects, the CO shares this information with the forums. Second, the CO ensures that the forums' three-person leadership equilibrium is balanced with a representative from Middle Franconia, Lower Franconia and the Upper Palatinate. This model also allows for a stakeholder from a rural area to be included. The Office of the Presidency also respects this configuration. Third, while all the projects are identified and discussed in the forum, the CO facilitates cross-fertilisation and maintains focus on rural and urban areas in any projects proposed. For example, through the forum, the CO linked the two offices involved in a new energy initiative, one from the northern part of the region and the other from Nuremberg, so that they could co-operate, network and specialise. Without this liaison, they would have been in competition with each other. Fourth, the CO works to facilitate networking and the exchange of ideas in the forums, while keeping them focused on their responsibilities. Finally, to facilitate such processes, the managing director of the CO participates in all the forum meetings, as well as management, steering committee and Council meetings.

Box 11.4. **Nuremberg Metropolitan Region Central Office: Broad jurisdiction, limited resources**

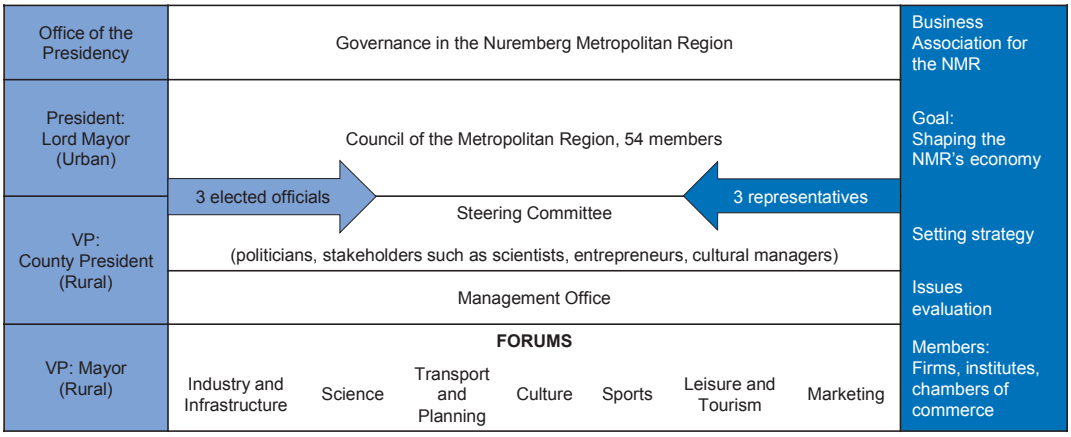
The NMR started with limited resources, of EUR 0.50 per inhabitant. It is largely funded by cities, with no public funds from other levels of government. To some, the limited budget is an advantage, since it makes it easier to avoid opportunistic behaviour by local authorities driven by economic interests. To others, the tight budget constraints are a disadvantage, since each project relies on external funding, which can reduce the partnership's ability to carry out certain projects. For the CO, the funding constraints are a problem because it is understaffed and dependent on volunteers to manage an ever-growing portfolio of activities. The office's main task is providing administrative and operational services particularly to the council and steering committee both of which meet twice a year. The newly created Business Association for the Nuremberg Metropolitan Region will help by providing further subsidies for projects. Staff costs are co-financed via third-party funds, at times with the help of European Structural Funds (e.g. the Zukunftscoaches project). The CO management office focuses on preparing content for strategic issues and introducing it into the political decision-making process (governance) of the metropolitan region. The management office also organises an annual conference for the region with scientists and professional experts.

In the NMR governance framework, the Council is the key decision-making authority. In 2012, it voted to expand the office of the Presidency from three to six members, giving a greater role to the business community. This significant change will give firms and business leaders more influence in decision making, since hitherto, the Chambers of Commerce and business owners could only influence the decisions taken by the partnership in their capacity as members of the forums. Going forward, the partnership's strategic framework and financial affairs will continue to be shaped by the Council, but the Chambers of Commerce and business owners will have more say over which projects to fund. This expansion will include a new association, the "Economy for the Metropolitan Region" (*Wirtschaft für die metropolregion e.V.*), made up of stakeholders from the business community and entrepreneurs. The association's board will appoint the three new stakeholders to join the office of the Presidency.

The vote to expand the Office of the Presidency will give the business sector greater input in projects and funding allocations. The steering committee will now include three representatives from the business sector, who will join the advisory group/steering

committee and decide, with the Office of the Presidency (a total of six people) which projects to fund. The Council will retain sole decision-making power over the management of the partnership and strategic framework. For example, it will continue to decide how much money to allocate to a specific project, but not which project to fund. Moreover, to preserve the rural-urban mix in the new association, each member of the council was tasked with identifying at least five entrepreneurs to join and make substantial financial contributions to the new association. Council members will recruit them directly, ensuring that firms across the region are included. Finally, the funds received from the new association will be merged with money from the municipalities into a single pot.

Figure 11.2. **Nuremberg Metropolitan Region's expanded governance structure**



Partnership strengths and weaknesses

The Nuremberg Metropolitan Region partnership demonstrates a flexible platform for co-operation among local authorities. It appears to be a relatively successful instance of the diverse governance spaces that increasingly characterise political landscapes across Europe, the United States and other OECD countries (Herrschel and Newman, 2002; Orgaar et al., 2008; Sellers, 2010). The partnership represents a strategic approach to territorial and economic governance and occupies a middle ground between informal networks on the one hand, and formal regional-scale institutions on the other (McKinney and Johnson, 2009). These are common features even in loose governance networks. It differentiates itself from other partnerships in this study that are not tasked with taking such a holistic approach.

In comparison to other German metropolitan regions (e.g. Hamburg, Munich), Nuremberg's innovation was to develop a "responsibility partnership" with the surrounding communes and districts on an equal level, through discussions and a focus on non-critical projects. This contrasts with other German metropolitan regions that opted for a top-down approach, with less success (e.g. creating conflicts that had to be settled by generous "gifts" to the rural municipalities and districts). Nonetheless, a question remains as to how the partnership will work in the future. It was clear from the discussions that many participants would like to have a more formal structure, as well as more money for their common projects. So far, the participating communes and cities have made a relatively low financial contribution to the metro-region, meaning that additional financial resources must be found elsewhere (e.g. from private companies). This will change the objectives of the metro-region, as the new players ask for own

revenues. In future, the expansion of common activities toward more regional planning projects may cause conflicts at the state level, as well as with independent municipalities, districts or communes that do not participate in the metro-region.

The partnership has, in the view of most informants, deepened levels of trust locally. Collective institutional action within and for the wider functional region, if not altogether free of difficulty, has been much easier to undertake than before. According to the Deputy Mayor for Environmental Affairs of the City of Nuremberg, efforts in the 1990s to co-ordinate natural resource/waste management policy across the region were not a success. The Deputy Mayor attributed this to insufficent experience of working together regionally, and to an abiding fear of both dominance and free-riding. Voluntary collection action frequently breaks down without a third party to absorb organisational and information costs (Feiock, 2004). At the same time, a third party is more useful as a medium for discursive exchange and information consolidation than as a body for enforcement. Participants gave many examples of improved action in recent years. These were not always scaled at the region, but often improved co-operation within the region.

The partnership represented an opportunity to collaborate, to combine resources and efforts and to develop common strategies to deal with the issues faced by the region. For example, the partnership offers a space for co-operation for all the tertiary education institutions located in the region. Representatives of these institutions meet regularly, at least twice a year, to find strategies and to work together to face what they perceive are the region's main challenges: demographic decline and the need to keep young and skilled labour within the region after educating them. The formal structure, with the council of elected officials and expert forums, provides a robust framework for knowledge sharing. The nature of the relationships among different local authorities is a fundamental part of the existence and the functioning of the NMR. In fact, the city of Nuremberg needs its surroundings not only for issues related with services and collaborations. The NMR has a historical identity as a polycentric region, where urban centres are distributed throughout the whole regional territory, and where rural areas are considered just as important as urban areas. In this respect, the NMR differs from other metropolitan regions where a large urban centre dominates the region, e.g. Munich and Rome.

The active participation of different sectors, public, private and academic, as well as Bavaria, shows how the partnership has come to be valued as a space to interact. Various informants reported that the Bavarian state was initially opposed to designation of the Nuremberg Metropolitan Region, perceiving it as a rival to Munich. This attitude is said to have changed, as it became clear that the NMR is not seeking to work around state structures, and has real value in terms of external recognition and internal networks. Communal autonomy is the backbone of co-operation. As municipalities are not allowed to carry out regional spatial planning, the only way to guarantee balanced development for the whole region is to bring the municipalities together and to guide their decisions. This only works if the municipalities benefit from the co-operation and are not restricted in their planned development.

The decision to focus on "softer" issues for initial co-operation made for a successful strategy in "region-building", to cultivate trust and identity: *i)* it brought a diverse group of actors to the table; *ii)* it ensured there was no overlap between state and municipal responsibilities that could cause conflict (such as spatial planning or service provision), while at the same time maximising the potential to improve the delivery of services in the metropolitan region; and *iii)* it helped build trust in areas with a history of conflict. The

decision to focus on stimulating domestic tourism rather than trying to attract tourists from other regions, a more typical strategy, also served to bind the people of the region together. Local residents who visit other communities within their region inevitably begin to see the entire territory as a coherent unit (see the Discovery Pass example in Box 11.2). "One man, one vote", and the inclusion of rural and urban leadership in each forum, put rural and urban voices on an equal footing, another important element in the mix.

The political phase of the partnership has served it well, ensuring that the key actors come to the table. However, elected officials are vulnerable to the democratic process. A move to balance political dependence with other stabilising factors is probably advisable. The risk of destabilisation appears low, as the local politicians have been in place for the duration of the partnership. Trust has apparently been built at a personal level, among a stable political elite who tend to stay in power for long periods. It remains to be seen how the partnership will fare as new political leaders come to power. How deeply is the partnership institutionally embedded? How far has institutional capacity been created (Healey, 1996) The municipality-based structure ensures the implementation of projects at the local level, due to the power of the partners. But these administrators depend on election results, and must ensure that the co-operation has an added value for citizens. As long as the topics in question involve such issues as public transport, tourism and culture, most will agree, particularly on projects that require a high degree of consensus (e.g. the establishment of new railway lines or roads paid by the federal government).

The partnership measures inputs, not results. Success is measured largely by the level of participation in the forums and the number of projects completed. Since members' participation is voluntary and can be time consuming, the forums' consistently high level of engagement is significant. In the OECD discussions, forum members indicated that before the partnership, they were "disconnected and uninformed" about opportunities. Given budget constraints, projects must be developed in co-operation with the business sector. If the private sector co-finances a project, this is interpreted as a sign that the project is in the region's interest. Nonetheless, it is not easy to evaluate the economic impact of the partnership on the region as a whole. As the partnership begins to focus on cultivating alternative resources with the private sector, further emphasis on measuring results is warranted and will allow better targeting of resources.

Conclusions and looking ahead

The NMR is a robust rural-urban partnership model. It has clear objectives and is working within a supportive environment, with a strong sense of the need for rural-urban collaboration. An implicit emphasis on ensuring strong rural and urban representation in all aspects of the partnership, combined with a strong political focus on the principle of subsidiarity, ensures that all stakeholders have a voice. The partnership is quite visible and has been endorsed and accepted by the different levels of government. Some flexibility is built into the partnerships, so that actors can be added or subtracted as necessary. The partnership is remarkably well connected with universities and research centres in the region, and the NMR's activities are not dependent on single local authorities. More importantly, participation in the network yields benefits and increases leverage in dealing with higher levels of government and enhanced connectivity, such as public transport linkages to rural places. Some areas could nevertheless be improved upon. They include:

1. Changing from a subsidy-oriented form to a more economically oriented form, because more finances are needed for future projects and facilitating unrealised or

under-realised rural-urban synergies rather than addressing concerns about unequal service delivery.

2. The next stages of the partnership will be crucial, requiring greater institutional capacity and a larger budget. To date, EU support has played a marginal role in supporting NMR activities. ESF funds support the annual NMR annual Science Day *Zukunftscoaches* forum, an event that brings the national and international scientific, business, political and educational communities together to network and develop initiatives. As the need for alternative funding sources increases, however, judicious use of EU programmes will increase in importance.
3. To make optimal use of the NMR's strengths, regional spatial planning could be considered. This, however, would set the region at odds with the Bavarian State Ministry and necessitate new political and economic strategies.
4. Additional mechanisms to measure results and provide greater understanding of the economic impact of the partnership on the region as a whole could also be helpful.
5. Likewise, to improve material understanding of the region, better data on the real space-economy are needed.

Notes

1. *i)* Transport and logistics; *ii)* information and communication; *iii)* medicine and health; *iv)* energy and environment; *v)* new materials; *vi)* automation and production technology; and *vii*) automotive.
2. This can be downloaded from www.ncl.ac.uk/cre/publish/books.htm.

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Chapter 12

Italy: Province of Forlì-Cesena – Emilia-Romagna

Summary and conclusions

Main findings. (1) The Forlì-Cesena region has a complex system of partnerships involving both private and public actors, with great flexibility in the portion of territory involved and in the nature and number of the participants. (2) The geographical flexibility and effectiveness of rural-urban partnerships are strongly facilitated by the co-ordination between different levels of government (mainly regional and provincial). (3) Partnerships are also facilitated by strong territorial identity and cohesion, as well as by a mature culture of co-operation. (4) Most of the partnerships are shaped on the basis of a previously set regional strategy but are then implemented by the province. They relate to a broad set of issues, from economic development and innovation to service provision. (5) Partnerships are mostly informal; they are based on strong participation by the private sector, which has a permanent dialogue with public institutions, in an approach called "negotiated programming". (6) Little emphasis has been placed on the urban-rural divide in the region under analysis, while it has a strong identity as an integrated territory.

Territory under analysis. The observed rural-urban partnerships facilitated by the province encompass several different territories. These are almost always wider than labour market areas and sometimes even wider than provincial boundaries. The functional region of Forlì-Cesena (FRFC) is identified by the province as a territory where rural-urban interactions are particularly strong and where territorial disequilibria and exploitation of complementarities should be addressed. FRFC is composed of two cities of medium size (Forlì and Cesena) surrounded by peri-urban and rural areas, which are deeply integrated. On the western side of the region, there are mountain areas of the Apennines, which constitute the economically weakest part of the region. However, the FRFC does not cover the geography of all observed rural-urban partnerships. The polycentric and spatially balanced development of the region and its intermediate nature in terms of urbanity and rurality may have helped rural-urban co-operation and strengthen a territorial identity that transcends the distinction between urban and rural areas. On the whole, the region has a flourishing economy, with the advantage of traditional and yet productive sectors. Agriculture is a particularly relevant sector in the region, and its productivity is almost twice the national average.

Historical background of the partnerships. The region has a culture of co-operation rooted in its cultural, economic and institutional context. Culturally, the region has had deep reserves of social capital for many years. Economically, the fragmentation of production – the small average size of firms – and the consequent lack of economies of scale constitute an incentive to co-operate. Institutionally, the ability to co-ordinate the actions of different levels of government and to find synergies among them is another factor helping co-operation. The complexity of the co-operation process and the priority given to the negotiating programming approach represents a potential for the territory and ensures that the needs of all the actors are taken into account, but it increases the risk of a slow decision-making process. The fragmentation of both the socio-economic and institutional environment is one of the main challenges for the region and at the same time one of the reasons for the strong perceived need for co-operation.

Partnership activities. Partnerships in Forlì-Cesena involve the interests of both urban and rural areas, but the local community makes little distinction between the two. Thanks to the overall strategy set by the region, most of the partnerships are aimed at developing the whole territory, rather than specific interests. This approach allows less conflict between actors, but it risks leaving behind peripheral (mountainous) areas, which face increasing depopulation and decline. Intermediate institutions (e.g. chambers of commerce, trade unions, etc.) are fundamental in ensuring co-operation and warrant further support.

Future challenges. Partnerships are on the whole flexible in terms of the boundaries of the territory involved. This is an advantage, since for each function, a different functional region is in principle the appropriate spatial level of analysis. The province is the facilitator of the partnerships, but the boundaries of the territory included in the partnership can sometimes extend beyond provincial boundaries. This can make co-operation more difficult, since a higher level of co-operation among different institutions (both vertically and horizontally) is required. The high level of territorial identity and mature culture of co-operation help Forlì-Cesena handle these challenges. However, this is less likely to be effective in contexts with a lower aptitude for co-operation.

Regional overview

Territory under analysis

The territory under analysis is a continuum of urban and rural areas within the administrative boundaries of the province of Forlì-Cesena. This territory, the functional region of Forlì-Cesena (hereinafter "FRFC") – is composed of 24 of the 30 municipalities that form the province (Figure 12.1; Box 12.1). The boundaries of the FRFC were identified by the province as a territory of strong urban-rural integration. It is in the central-eastern part of Italy, with a mixed landscape of medium-sized cities surrounded by a flat and hilly landscape, with mountain areas in the east, close to the Apennines. The FRFC covers 2 113 km². Two municipalities are considered predominantly urban (Forlì and Cesena), and the remaining 22 municipalities are predominantly rural. Compared with the administrative boundaries of the province, the FRFC excludes six municipalities located on the coast, in order to focus on the territory where urban-rural relationships are stronger (see Box 12.1). In 2010, the total population was 326 131, with 66% of residents living in urban areas and 34% in rural areas (see Table 12.1 for basic statistics on the FRFC and other spatial definition).

The boundaries of the FRFC do not overlap with labour market areas. Co-operation in Forlì-Cesena offers evidence that the geography of rural-urban partnerships can be substantially wider than the traditional boundary of labour market areas. Taking into account labour markets only, the southeastern part of the region, including the province's mountain municipalities – e.g. Verghereto, Bagno di Romagna, Premilcuore, Portico e San Benedetto, Santa Sofia – would not be included in the territory under analysis. These municipalities have few inhabitants and weak commuting flows to the two cities, and the standard procedures for the identification of labour market areas do not include them in a single functional region. Figure 12.1 shows the differences between the labour market areas identified by the Italian National Institute of Statistics (called local labour systems, LLS) and the FRFC. The former are a pure concept of functional regions based on the self-containment of commuting flows. Forlì and Cesena fall into two different – and relatively small – LLSs, and the sum of the two is still smaller than the FRFC.[1]

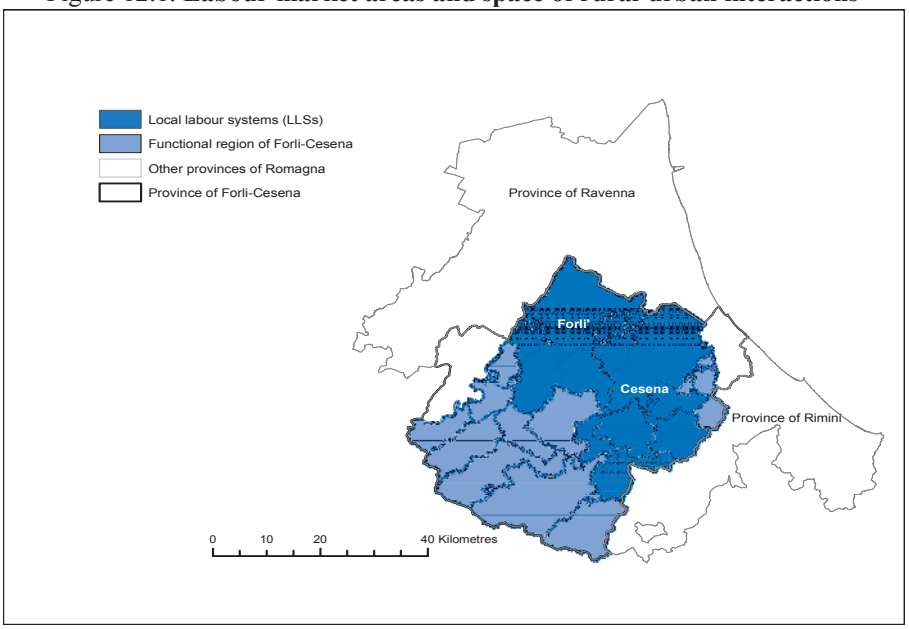
There is no one correct geography for the rural-urban partnerships observed in Forlì-Cesena. The FRFC is the area where urban and rural areas physically merge, and where the province focuses more on urban-rural relationships and territorial cohesion. However, the entire territory of the province would be insufficient to cover all the rural-urban partnerships observed in this region. The appropriate spaces for co-operation are different based on the function under consideration. In Forlì-Cesena, where linkages are strong and the territory deeply integrated, a high degree of flexibility is necessary to deal with the many partnerships that have been observed. If some basic services and environmental assets – such as water services, national parks and protected areas – are considered, more remote mountain municipalities would be included in the appropriate functional region, even if they do not fall into the same labour market area. For tourism and territorial branding, the appropriate functional region is an even larger territory that extends beyond the province to include all Romagna, and large parts of the provinces of Rimini and Ravenna.

Table 12.1. **Basic statistics on different territorial definitions in the Forlì-Cesena region (2010)**

Territorial level	Number of municipalities	Area (km²)	Population	Population density
Urban areas	2	477.5	215 223	450.8
Rural areas	22	1 636	110 908	67.8
Functional region of Forlì-Cesena	24	2 113.50	326 131	154.3
Province of Forlì-Cesena	30	2 376.80	395 484	166.4

Source: National Institute of Statistics (Istat, 2010).

Figure 12.1. **Labour market areas and space of rural-urban interactions**



Note: This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

Source: based on Istat data and background report.

Box 12.1. **Rural and urban delimitations for the case study**

The functional region of Forlì and Cesena serves as the territorial object for provincial spatial planning policies and the functional specialisation, according to the strategic territorial plan (Piano Territoriale di Co-ordinamento Provinciale) of the province. Certain municipalities are included and some excluded from this functional delimitation. For example, Modigliana and Tredozio are excluded because of their stronger links to the urban area of Faenza in the province of Ravenna. Similarly, some coastal municipalities (specifically, Cesenatico, Gatteo, Savignano and San Mauro Pascoli) were not included because they are not comparable to Forlì and Cesena or to the rural areas. On the other hand, three municipalities (Verghereto, Bagno di Romagna e Santa Sofia) were included, because some basic services and environmental assets (e.g. water services, national park and protected areas) are local and these amenities and environmental assets meet the needs of urban dwellers in the FRCF. Finally, the municipality of Borghi was included, despite the fact that the municipality belongs to the Local Labour Market Area of Cesenatico. This is because it has a strong rural character and stronger links to the urban area of Cesena.

Box 12.1. **Rural and urban delimitations for the case study** (*cont.*)

Rural and urban definitions for rural development policy

A different methodology for classifying rural and urban areas is employed for the purpose of realising rural development policy measures. It is as follows:

- **Rural areas with specialised intensive agriculture**: Forlì, Forlìmpopoli, Bertinoro, Cesena, Cesenatico, Savignano sul Rubicone, Longiano Gambettola, Gatteo, San Mauro Pascoli. The area is mostly flat and characterised by a specialised and traditional vocation and intensive agriculture. The main products are wine, seeds, fruit and vegetables; arable crops are grown at the foot of the hills. This context, which is characterised by a high utilised agricultural area/total agricultural area ratio and a reduced farm size, features areas equipped with heavy infrastructure and urbanisation.
- **Intermediate rural areas:** Tredozio, Modigliana, Rocca San Casciano, Dovadola, Castrocaro Terme and Terra del Sole, Galeata, Predappio, Civitella di Romagna, Meldola, Sarsina, Mercato Saraceno, Sogliano, Borghi, Montiano, Roncofreddo. Of the total provincial population, 15.72% lives in this area. Morphological, soil and landscape characteristics provide a good integration between environment and production, but hydrogeological instability limits land use. The area is hilly and characterised by extensive farming. At higher elevations, the agricultural system includes farming and livestock breeding.
- **Rural areas with development problems**: Portico and San Benedetto, Premilcuore, Santa Sofia, Verghereto, Bagno di Romagna. Of the total population, 3.74% lives in this area. These areas, of considerable natural beauty, are often protected by environmental and conservation measures (Natura 2000 areas, National Park, forest areas). However, they also have infrastructural limits and lack of services that result in socio-economic challenges, such as the abandonment of agricultural land. The land use is typical of mountain areas: arable land, pastures and woods. These areas include pasture for extensive cattle-raising, extensive woodland, areas affected by instability that are not fit for mechanised farming, with a low level of employment and a high index of elderly inhabitants.
- **Urban poles**: No area identified in the province.

Source: OECD (2012), "Rurban background report: Forlì-Cesena", unpublished.

Socio-economic profile

The province of Forlì-Cesena shows many assets with high economic potential, as well as many of the expected territorial features long associated with this part of Italy (Brusco, 1982; Amin, 1999). It is relatively wealthy, with considerably higher nominal GDP/capita than the 2010 figures for both Italy and the average of OECD countries (Table 12.2). Though affected by the global crisis, it has consistently experienced lower unemployment rates (7%) than many other regions in Italy and in the OECD. Not surprisingly, it tends to perform well in quality of life surveys. In 2011, *Il Sole 24 Ore* ranked Forlì-Cesena 12th out of 110 Italian places they examined.[2]

The FCFR has a comparative advantage in manufacturing activities (25% of total employment in 2010), which sometimes cluster in industrial districts (e.g. production of furniture). Other relevant sectors are wholesale and retail trade (20.6%), construction (12.1%) and agriculture (8.9%). Agriculture is still a relatively important sector in the region, with a value added that is higher than the national average (3.3% in

the province against 1.8% in Italy).[3] In addition, agricultural production is linked to other economic activities in both industrial and service sectors. According to the Chamber of Commerce in 2010, 32 817 firms were registered in the FCFR. The number of employed persons was 122 876 (80.9% and 80.1% of the entire province, respectively). Further, 30.7% of total employment was concentrated in rural areas, and 69.3% in urban areas. The average firm size is relatively low, with 62.2% of the total jobs in the private sector concentrated in firms with less than 20 employees, against 60% for all Emilia Romagna in 2009.[4]

Table 12.2. **Forlì-Cesena socio-economic indicators**

	Province of Forlì-Cesena	Italy	OECD
GDP per capita (USD, PPP), 2010	34 230	27 059	30 156
Unemployment rate (%), 2011	7.0	8.4	7.9
Elderly rate (%), 2011	34.3	30.9	22.1
Patent applications per million inhabitants, 2010	44.5	52.8	137.7

Source: OECD (2013), *OECD Regional Statistics* (database), http://dx.doi.org/10.1787/region-data-en.

Italy's population is ageing, but Forlì-Cesena's overall population is growing. This increase is due to migration flows from Albania, Romania, Morocco and the People's Republic of China. While the urban population is expanding for the mature or so-called "pivot" cities (e.g. Forlì and Cesena), growth rates in the immigrant population in the smallest rural municipalities are conspicuously higher than for these two urban municipalities. In fact, from a demographic perspective, the most dynamic zone of the FCFR may well be the central constellation of "hill municipalities" that includes Castrocaro Terre, Terra del Sole, Dovadola, Predappio and Galeata. More negative, but also not unexpected, are the trends seen in the "mountain municipalities." These are south within the Apennines, part of a wider (extra-regional) "economic periphery" running down the spine of Italy that is losing population and public services, and struggling to connect productively with the main accumulation processes of the nation as a whole (OECD, 2009: 47).

Net migration in the FCFR in 2010 was 8.1 inhabitants/1 000. Urban areas showed a higher rate than in rural municipalities, 8.4 inhabitants/1 000 compared to 7.5. A large share of residence changes in urban areas moved to rural municipalities (86.5%). Conversely, 67.4% of people coming from rural areas settled in an urban centre. However, an opposite trend is observed for the years 1995, 2000 and 2005. Also in terms of income per capita, urban areas show, on average, higher values compared to rural areas, although the difference is negligible (Table 12.3).

Table 12.3. **Taxable income for direct taxation (income tax of individuals, IRPEF) (2009)**

	Number of taxpayers	Taxable income	Average taxable income	Taxable income per capita
Rural areas	66 022	1 292	19 581	11 733
Urban areas	132 478	3 007	22 704	14 074
Functional region of Forlì-Cesena	1 985	4 300	21 665	13 277
Province of Forlì-Cesena	237 795	5 071	21 326	12 926

Source: IlSole24ore.

Partnership purpose and characteristics

The Forlì-Cesena case is an example of a complex institutional environment (ecosystem) that favours co-operation between local actors. This environment fostered a number of single- and multiple-purpose partnerships, "urban-rural" and "urban-rural-remote rural" (mountainous areas), each with different types of actors. For this reason, the rural-urban partnership system in Forlì-Cesena is not easy to classify. However, like the other partnerships in the study, it evolved from bottom-up and top-down efforts. In fact, the Emilia-Romagna region's governance model favoured significant subsidiarity to both the provincial and municipal levels of government. This allowed the emergence of an approach to policy and implementation with collaboration and partnership working as a key embedded element. This model was based upon an appreciation of the importance of proper and inclusive dialogue at the formative stage of policies; a strong tradition of joint programming (of policies and implementation) between players; and a clear awareness of the human capital available in the region and the value of using available skills and expertise from all sources/sectors. This was reinforced by high levels of entrepreneurship, given the large number of micro-enterprises.

Three aspects drive the partnership system in the FCFR, which may relate to a notion of collective efficiency (Parrilli, 2004). The first is the social capital inherent in the region and the willingness of all stakeholders (firms, individuals and institutions) to collaborate. Social capital – networks, norms and trust – that enable participants to act together more effectively to pursue shared objectives are not merely the result of historical accident, but come about as individuals spend time and energy to connect with others (Glaeser et al, 1999). The FCFR region has a history of comparatively high social capital, whose effects in facilitating economic relationships (both competitive and co-operative) are well documented in the literature (Putnam, 1993; Micucci and Nuzzo, 2006). This trust drives the co-operation processes among both private and public actors. The second is the socio-economic environment of the FCFR. The presence of many small-sized firms, often in close proximity, gave rise to a partnership ethic to generate external economies of scale and overcome the disadvantages of firm size. As farms reduced in size over generations, their ability to modernise, introduce technical innovations and improve production sharply diminished. The collaborative process (co-operatives and partnerships) emerged to compensate for this through the creation of partnerships devoted to innovation, marketing and product improvement.

The third driver is the fact that public institutions promote, facilitate and support the collaborative process in different ways. There is strong dialogue and synergy between different levels of government (region, provinces and municipalities). The region defines strategies and provides the province with the space and the authority to act. The regional strategies are set through an integrated process called territorial programming, which combines economic programming with territorial planning (Grandi, 2012).[5] Programming activities have historically played a role in guaranteeing equity across the regional territory, especially in terms of service provision for weaker areas. These strategic activities – mainly carried out through the DUP (*Documento Unico di Programmazione*, DUP) – constitute the framework for the implementation of territorial strategies by the lower administrative levels (province and municipalities). The region delegates to each province the implementation of the strategies identified in the DUP, providing them with more powers than those normally assigned to the provinces by national law. One central feature of territorial strategies in Emilia Romagna is that the programmes are generally selected by an approach called "negotiated programming" that involves many actors in a

permanent dialogue and collaboration both vertically and horizontally. This activity rests on former experiences in the region on negotiated territorial programming (e.g. area contracts, territorial pacts, agreements, etc.). Italy widely involves the provinces and other sub-regional authorities in the planning and management of EU Structural Funds, using various instruments, but in Emilia Romagna, the region gives the provinces the role of integrating territorial policy. This certainly characterises the regional mode of interpreting the negotiated planning.

The provincial government thus emerges as the key institution, able to co-ordinate, manage and assist with financing the different collaboration processes. The province is the "intermediate institution" (Arrighetti and Seravalli, 1999), facilitating both dialogue among the actors and internal territorial cohesion. The province uses a fine-grained approach to identifying issues on the ground and ensuring detailed joint programming. The province's tasks include two main responsibilities: *i)* the allocation of resources with the aim of balanced and inclusive development, encompassing local, regional and EU resources and the allocation of public service facilities; and *ii)* the role of boosting co-operation and facilitating dialogue. Forlì-Cesena has 30 elected members representing the municipal areas, but there was a clear sense that the province acted as a collective body. The bottom-up approach also means that any one of a number of parties can propose initiatives. For example, the Chambers of Commerce of Forlì and Cesena took the lead in bringing organisations together to launch a stronger brand identity under the heading *Terre di Romagna*. Under this designation, which was supported by the regional tourism agency (APT) and several other public and private organisations, new tourism packages were developed based on local products.

Partnerships working in the region

Each observed partnership covers a different portion of the territory under analysis, sometimes extending beyond the provincial boundaries (e.g. tourism). The challenge has been to encourage smaller enterprises to take advantage of the opportunities, given their lack of capacity to manage and invest in such new initiatives. The partnerships range from: *i)* a wining and dining itinerary linking agriculture and tourism; *ii)* a services association within the province; *iii)* product unions; *iv)* local action groups in the rural area; *v)* framework agreements, which are partnership instruments between central and regional institutions; *vi)* the Territorial Pact for the Central Apennines (four regions); *vii)* a tourism promotion company at the regional level; *viii)* a public transport company (a consortium of the 30 municipalities); *ix)* the Land Management Board; and *x)* partnerships providing specific services. To illustrate how they operate, two examples are instructive: the agro-industry supply chain and tourism and culture. Both rely on co-operation across rural and urban spaces.

Agro-industry

The demographic vitality of Forlì-Cesena as a whole, and the hill municipalities in particular, is dependent on the evolution of its agro-food industrial district. This is notable for: *i)* the creation of small, medium and especially micro-enterprises (only 21 of the province's 32 800 firms have more than 250 employees); *ii)* competitive competences in traditional economic sectors with strong rural and urban associations, which are now informed by new technologies, cultural products and marketing innovations associated with the sectors' professionalisation and global reach ; and, *iii)* an economic culture based on a dense mesh of relationships. This vast "ecosystem of partnerships" makes it both necessary and normal to establish extra-firm co-ordination, common languages and forms

of co-operation crucial to the long-term coherence and survival of the economy (Bertolini and Giovannetti, 2006; Hadjimichalis, 2006).

The agro-industrial chain is an example of a rural-urban integrated partnership from which both urban and rural areas can derive benefits. Initiatives can extend from rural growers through to the packaging companies based in the urban areas. The structure is extensive, involving thousands of farms. It is composed of a cluster of small and medium-size enterprises that co-operate to generate economies of scale, achieve greater market penetration and generate research and development (R&D) processes that companies could not afford individually. From a spatial perspective, this food chain encompasses the whole territory of the FCFR and beyond. The flat and hilly areas of intensive agriculture, as well as the two cities of Forlì and Cesena, are particularly involved, while the mountain areas are less so. The agro-industry partnerships have several aims: taking care of the firms, especially ones of small and medium size; increasing research activities within these firms; and building a food production chain in the FCFR.

Efforts to increase the links between professional organisations and farmers began in the 1990s, in an attempt, through intermediate institutions of a larger size, to increase the demand of research and to disseminate the results. The partnership has resulted in the formation of research laboratories involving both universities and research institutes. It works with universities, technology centres and local and provincial governments in an approach described as "permanent dialogue"; an informal and flexible partnership that takes different forms depending on the objectives, goals and challenges at issue. The focus is on increasing innovation in the production chain. Both universities and firms in rural areas are included, resulting in strong links between urban and rural areas in the territory. Urban areas are also involved through logistical, commercial and communication activities that complete the production chain.

Building a food production chain in the territory is not just about promoting regional products. The focus is on the complete system of production, which involves different economic sectors (from agriculture to R&D, and manufacturing to advanced communication services), as well as urban and rural areas in the integrated territory of Forlì-Cesena. With this approach, the region shifted the emphasis from the production of agricultural products to the production of food products, in a process of sectoral and territorial integration. Underlying this idea is the strategy of exporting the entire territory, with its identity, image and culture, rather than just a product. This partnership aims to boost cohesion between different areas, reinforcing linkages and productive interdependencies. The overarching vision is that rural territories cannot innovate if they are isolated and disconnected from the market. The integrated production chain aims to link an entire territory to the market.

Two key mechanisms enlist stakeholder engagement and help to manage issues in the agro-industry system: the co-operative structure and the "Green Table". Because the agricultural supply-side partnerships include many micro-businesses and co-operatives, a single partnership cannot suffice. To respond to the needs of the agri-business sector, a collaborative "super-structure" developed "substructures" (co-operatives) that help combine stakeholders' different needs. These were created to help micro-enterprises by strengthening the position of individual operations and creating critical mass. The co-operative structure also led to further sub-structures (for instance, research-based co-operatives) that help combine the needs of co-operatives with the research bid. For example, investing EUR 800 000 per year on research would not be possible for a single

farmer, but it is possible for a single co-operative whose turnover is EUR 230 million. Each co-operative has a "central office", a board of directors (agricultural producers) elected by an assembly of partners.

Given its location in the plains and hills near urban centres, the agro-industrial complex is the source of intense exchanges between nearby rural areas (thanks to the availability of fertile soil and water, skilled labour, etc.), and urban centres (which offer the possibility of employment in both production and processing, suppliers and customers, etc.). The "Green Table" of agricultural players, including four professional organisations, three co-operatives and public institutions, co-ordinate the territorial activities through consensual politics. This provides a forum for open, transparent dialogue where stakeholders can share perspectives and give balanced consideration to what needs to be done. The emphasis is on providing a co-ordinated approach, particularly in terms of agricultural supply chains and supporting the needs of micro enterprises, which are deemed to be stronger when working together. The pivotal point is a single "table" where different participants represent the interests of their own sector in the productive structure.

The region and province both supported the agro-industry collaborations in the FCFR. The region set the stage by recognising the need for stronger links through informal partnership systems in the sector, to ensure market access and benefits for the supply chain as a whole. After the region promoted the agro-industrial production chain and programming activity, the province arranged for open dialogue, letting stakeholders sort out challenges.

Box 12.2. **Wine and food tourism in Emilia-Romagna**

The Strada dei Vini e dei Sapori (Wine and Flavours Route) is an association of more than 100 firms, public institutions and other associations that promotes integrated tourist services related to agriculture and the landscape, with a particular focus on wine and food. The association is active throughout Emilia-Romagna, but is directly represented in all the provinces. It focuses on high-quality agriculture and on the culture of the territory. Farmers are incentivised to open their facilities – previously used only for production – to tourists, diversifying their activities and strengthening territorial identity. The partnership began as a top-down process, initiated by the region in 1994, and farmers could not have built such a network alone. After the initial phase, an endogenous process started, from the bottom up. Firms are now willing to diversify their activities and to use the Romagna brand to expand their business, while at the same time promoting the region.

Source: OECD (2012), "Rurban background report: Forlì-Cesena", unpublished.

Tourism

Co-operation between rural and urban areas can also be seen in partnerships in the tourism sector, for which an integrated vision is a key consideration. The region is not willing to invest public resources in a myriad small-scale initiatives, so to win support, firms must co-operate and create packages with commercial potential. This approach ensures a strong link between rural and urban areas. Rather than promote a single project, the region opted strategically to promote the whole territory. The territory in this case corresponds, following its widest definition, with "Romagna". It covers not only the FCFR but the province of Forlì-Cesena and the provinces of Rimini and Ravenna.

Four tourist products highlight tourist attractions: "Adriatic Coast", "Art Cities", "Apennines and Green Areas" and "Thermal Baths".

Different organisms manage the tourism products and facilitate interaction between the different stakeholders. The product unions (*Unioni di prodotto*) were created by the region to implement actions that could maximise the resources available for tourism. They are associations of public institutions and private actors – mainly groups of firms – that are interested in the development and supply of tourism services. For example, 20% of projects submitted by product unions include linkages between coastal tourism, inland tourism and cultural resources. Overseeing these product unions is the regional agency for the promotion of tourism (APT). This co-ordinates regional efforts and resources in tourism sector. The idea is to avoid fragmentation of public investments considered to be bottlenecks in the development of the tourism sector. Finally, all strategic decisions in tourism have to be approved by the Tourism Concertation Committee, whose members include representatives of the regional and provincial government as well as private firms and the Chambers of Commerce.

Box 12.3. **Water resources management in Romagna**

Water resources in Romagna are managed by a publicly owned company, Romagna Acque (RA). Since 2009, this has been the only water provider for the territory. It is owned by the three provinces and the Chambers of Commerce of Romagna: Forlì-Cesena, Rimini and Ravenna, as well as by all the municipalities in the three provinces. The RA was created as a consortium in 1966 and became a company in 1994. The aim was to institute a single body governing water sources and respond to the water needs of the whole territory, which exceed the boundaries of any provincial administrative unit. In addition, the RA aims to protect the natural heritage of the municipalities from which the water comes and where the dam is located.

The RA is a typical example of a rural-urban partnership. Water from the mountains flows to the cities and countryside, benefiting the whole territory, and the areas where it is extracted also benefit from this partnership. First, the society is mandated to devote 3% of the RA's total revenues to the municipalities where the water comes from. These funds must be invested in preserving the environment in these areas. Municipalities where water is extracted benefit from investment in the preservation of natural heritage, cultural promotion and improvement in the transport network. The area where the dam is located is recognised as a tourist destination. Finally, the RA is an example of co-operation among public authorities, both horizontally (between municipalities, provinces and Chambers of Commerce) and vertically (between municipal and provincial government levels).

Between 2008 and 2010, the region invested EUR 60 million in tourism, EUR 30 million in the regional agency for the promotion of tourism and EUR 10 million in the product unions. The regional tourism plan makes no distinction between urban and rural areas; both benefit from the partnership on tourism. This is reflected in the different elements of the partnership. First, the region establishes that at least 10% of public resources for tourism must be devoted to mountain areas. Additional constraints in the allocation of resources for tourism are also in effect (e.g. for thermal therapy). Second, and more important, groups of firms that apply for support must show that their project includes synergies at local level. Only projects that integrate different territorial resources are co-financed by the regional policy.

Box 12.4. **Local action groups as rural-urban partnerships?**

Local action groups (LAG), created to implement the EU's LEADER Community Initiative, may be the closest example of a partnership originated from a bottom-up approach (Esparcia et al., 2001). Although LAGs operate solely in rural areas of the province, they arguably also have an impact on urban areas. The designation "urban" is only potential and, to be effective, a series of changes should be made to facilitate recognition and institutional legitimacy even in non-rural areas. The LAG partnership helps build relationships and networks between urban and rural areas for several reasons: first, through its efforts to diversify and modernise the rural economy, allowing economic linkages in the supply chain with the urban environment; secondly, by encouraging the development of leisure and tourism that appeals to the urban population in remote rural areas; and finally, because it allows the emergence of a "rural power" with an increased ability to work, negotiate and co-operate with its urban counterparts. One example is the Local Action Group Altra Romagna under LEADER, established as a joint venture company with the private sector. Founded 20 years ago, the LAGis funded 40% by public funds and 60% by private companies. Its main aim is to promote social and economic development in the hilly and mountainous parts of the region, covered by 34 municipalities. One example of their activity is support for farm guest houses, as a way of diversifying farm household income.

Partnership strengths and weaknesses

On the whole, the system is well equipped to bring urban and rural areas together. Many rural-urban partnerships in place have had positive results. The agro-industry and tourism partnerships successfully incorporate rural and urban stakeholders and enhance greater economic return to small firms, increasing the opportunities available to the territory and building strong relations between public and private actors. These partnerships benefited from having rural-urban -friendly administrative and political systems in place and other key organisations on board. One of the strong features of the partnership system is the "institutional framework" and the well-established culture of co-operation amongst local stakeholders, which enables collaborative processes and partnerships to emerge naturally. Dialogue between players on both policy and implementation is well-entrenched, and productive sector stakeholders, at a minimum, have an inherent understanding and acceptance of the need to co-operate.

The collaborative process is facilitated by the region's strong cohesion and social capital. These naturally lead local actors to seek collaboration, with new leadership expected to emerge as necessary. Public institutions in the province and region, however, have a crucial role in co-ordinating the process of co-operation. Public actors (e.g. at the level of the province and region) could exploit a strong entrepreneurial spirit and co-operation culture for creating public goods (Casavola and Trigilia, 2012).

Nonetheless, the complex system of partnerships in Forlì-Cesena also has inherent risks, arising from: *i)* lack of co-ordination between the various collaborative initiatives; *ii)* the different objectives, purposes and ways of action, which can conflict, *iii)* a potential overlap and loss of resources; and *iv)* the waste of synergies. In the case of tourism, the mismatch between administrative boundaries, municipal and provincial, and the functional region at which this partnership works required institutional co-operation beyond the province. While a capacity to deal with different partnerships at different territorial levels is a demonstrated strength, vertical co-ordination between different government levels (municipal, provincial, regional) is required, as well as a balanced mix

of top-down and bottom-up initiatives. All these requirements are not easily replicable in other contexts. There was also noticeable fragmentation on the supply side, with firms that are too small to involve in joint projects. Involving farmers is another obstacle, since they must repackage themselves as tourism entrepreneurs, a step that is not always easy.

A conglomeration of partnerships is acting in both rural and urban areas, with blurred rural-urban boundaries (at least between urban and accessible rural areas). Co-operation seems to result in a multiplicity of partnerships, which come and go depending on the specific objectives and roles pursued. As elsewhere, monitoring and evaluation is infrequent, as is discussion of results. This makes it difficult to improve design and implementation through lessons learnt and best practices.

The role of the province as a key facilitator is recognised and accepted by local stakeholders. So too is an understanding of the implications and potential of a "neutral institutional space" as a place to meet those involved in a co-operative process and to make consensus decisions. Here, all representatives have equal weight, regardless of the importance of the organisation or institution they represent. Such space gives local stakeholders better opportunities to sustain co-operation and undertake more reliable strategic processes. However, uncertainties remain about the future of provincial governments, given the threat of restructuring and reduced budgets. Though the co-ordinating role of the provincial government does not appear to be in question, this cannot ensure co-ordination of all co-operation processes. Partnerships have more or less independent "life cycles" associated with their motivation and goals.

Another challenge is that constant dialogue is needed to make the system work. Without it, co-ordination among the actors involved would not be possible. For example, the agri-sector partnerships have high transaction costs to sustain the numerous collaborations, and can sometimes require intermediate organisations to take on organisational management. The development of intermediary organisations is extensive. One example is the Centuria Agency for Innovation Soc. Consort. of Romagna, a non-profit organisation that aims "to promote social entrepreneurship, research and industry of innovation in its various expressions". It includes both public and private sector organisations working to promote innovation, particularly through the supply chain. Other challenges include the low surplus generated by the agro-industrial chain that goes to agricultural firms, the slow transfer of companies between generations and a general lack of responsiveness to current challenges (e.g. globalisation and international competition); as well as the fragmentation of representative institutions of private actors (e.g. co-operatives). These institutions are asked both to be closer to their members and larger and stronger when dealing with public actors.

In an economic downturn, co-operation may be threatened if private interests trump collective goals. Especially when partnerships are informal, support for a partnership can be compromised by actors' short-term perspective and attachment to their own spaces and roles. The economic crisis has sometimes resulted in stagnation of a partnership's vision, and resistance to change and innovation.

Conclusions and looking ahead

Rural-urban partnerships in Forlì-Cesena are of various shapes, sizes, durations and objectives, with many complex linkages and synergies across the state, economy and society. The Emilia-Romagna region and the Forlì-Cesena province style of governance encourages collaborative processes at the sub-regional level that are mostly driven and

maintained by the regional and provincial governments. However, because the Forlì-Cesena province is part of the formal Italian state, it is deeply legitimated by democratic-political relationships. Overall, the provincial administrations are pivotal in providing the capacity to support the high level of collaboration and partnership. Relationships between rural and urban areas in the province of Forlì-Cesena are extensive, ranging from labour market supply chains and supply of primary goods, to administrative services, leisure and recreation, to mention only the most relevant. An impressive aspect of these collaborations is the degree to which participants in a particular endeavour were able to discuss its wider social and environmental benefits. That said, there is little recognition that rural-urban issues are the main drivers for partnership.

Notes

1. Similar evidence was found looking at the functional areas identified by Boix et al. (2012) and OECD (2012).
2. www.ilsole24ore.com/speciali/qvita_2011/home.shtml.
3. Data from Istituto Tagliacarne, 2009.
4. Data from Istat, Asia database, 2009.
5. Here the term planning and programming are treated as different. Planning is referred to as the identification of the activities that take place in an intermediate time horizon (e.g. five years) and it also refers to issues of land use. On the other hand, programming has a stricter economic nature and refers to a shorter time horizon.

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Chapter 13

Netherlands: The BrabantStad partnership – Brabant

Summary and conclusions

Main findings. (1) BrabantStad is a network that allows five non-contiguous cities and the province of North Brabant to co-operate. (2) The current success of the partnership is based on performing tasks, such as lobbying, where members' interests present a high degree of convergence. It is also based on the efficacy of the co-operation, which is determined by the small number of members, their identity, common problems and the social context in which they operate. (3) The social context plays a crucial role in facilitating co-operation; the province of North Brabant is characterised by a high degree of interpersonal trust; and a markedly strong culture of collaboration exists both in the Netherlands as a whole and in BrabantStad. Leaders also play a central role in the partnership. (5) BrabantStad appears to be effective as a multiscalar mechanism in delivering its objectives. (4) Rural issues are indirectly represented in the partnership and play a minor role in their strategic agenda. (6) The factors that enabled the partnership to thrive are clearly defined objectives, a good network of partners, democratic participation, a flexible and informal governance structure, an enabling institutional environment and strong leadership. There are factors that could hinder the growth of the partnership. Most relationships exist on an informal basis, which could be jeopardised by any breakdown and a lack of funds to carry out new projects.

Territory under analysis. The territory of the BrabantStad partnership is not based on any functional definition. Since one of the members is the province itself, the territory can be identified with the administrative boundaries of the province of North Brabant. The members of the partnership are not contiguous and include the cities of Eindhoven, Helmond, Den Bosch, Tilburg and Breda, along with the province of North Brabant. Each city is involved in other forms of co-operation with contiguous municipalities. The BrabantStad partnership can thus be seen as a supra-level form of co-operation.

Historical background of the partnership. The BrabantStad network was established in 2001 on the initiative of the then Queen's Commissioner of Brabant. The co-operation dates back to the fourth National Spatial Planning Policy Document (1991), which originally designated eight key cities, including Eindhoven. The province intervened to facilitate more collaboration and promoted an approach favouring a network culture and social links.

Partnership activities. The key focus of the partnership is the economic development of the five cities, to establish the area as a hub and to raise its national and international profile. The partnership evolved in stages. It has moved beyond a loose strategic partnership between the province and the five cities that was focused on lobbying and has begun to develop a focus on integrated spatial planning. A strategic agenda was prepared for the period 2012-2020, whose main goal is to promote economic development in the region. The partnership is hoping to create a BrabantStad brand or a promotional device to market the region and increase its international visibility.

Future challenges. The increasing difficulty of accessing funds has made co-operation and long-term commitment more difficult. Shifting from a fund-raising to a co-investment partnership may not be easy given the current informal governance structure, but it might be necessary. BrabantStad's value appears not to be recognised beyond the five cities and the population of the province. A systematic evaluation of the partnership's policy outcomes could help bridge this gap. Given the preference for informality and the government's resistance to formal partnership networks, the likelihood of institutionalising the partnership is low, and other means should be explored. The decentralisation of spatial planning to the province, and health and social welfare services to the municipal level, is a major obstacle for the municipalities. Finally, matching the regional branding scheme to a product could prove difficult.

Regional overview

Territory under analysis

The territory under analysis is the BrabantStad network in the administrative province of North Brabant. This territory, the functional region of BrabantStad (hereinafter "FRBS"), includes the five largest cities in the province – Eindhoven, Helmond, Den Bosch, Tilburg and Breda – and the province itself. The province is the industrial heart of the Netherlands and the country's second region in terms of economic performance. One of the territory's main features is the distribution of the population in an urban mosaic structure, with no large concentrations of people in any one area. The population of 2.4 million is spread throughout a large number of small and medium-sized settlements. Located in the south of the country, stretching from west to east, the territory is close to the Netherlands' border with Germany, and constitutes its southern border with Belgium.[1] Eindhoven, the largest city in the network, contains around a tenth of its population (8.38% of the total population of the province), and the five largest cities account for only 826 000 people, about 33.5% of North Brabant's population.

Figure 13.1 represents the FRBS. Two of the five cities (Eindhoven and Helmond) in the partnership are included in the functional metropolitan area of Eindhoven, as identified by the OECD (2012b). It identifies the other three cities (municipalities) as the core of separate functional medium-sized urban areas. BrabantStad extends beyond the boundaries of a single metropolitan area as identified in terms of the self-containment of commuting flows, and also beyond the boundaries of the three medium-sized urban areas in the province. The partnership appears to correspond to the spatial typology of a "polycentric network of small and medium-sized cities", one of three types of regions classified for this study. It also captures other types of relationships. The administrative boundary of the North Brabant province plays a role, as well as the complementarities of a network of cities in terms of political relevance and the area's external image.

Box 13.1. Territorial typology

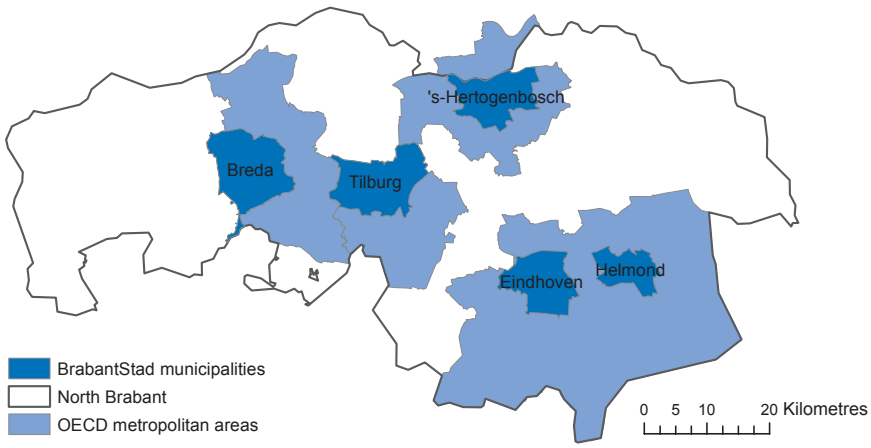
The classification of the territory falls into a Class 5 urbanisation. The territory is classified according to the density of addresses per square kilometre:

1. Highly urban: territory with a density of 2 500 addresses or more.
2. Strong urban: territory with a density of between 1 500 and 2 500 addresses.
3. Urban: territory with a density of between 1 000 and 1 500 addresses.
4. Less urban: territory with a density of between 500 and 1 000 addresses.
5. Non-urban: territory with a density of less than 500 addresses.

Source: Netherlands Statistical Office (CBS).

According to the territorial classification published in OECD (2011), the Netherlands does not include any rural areas. The OECD (2011) classifies most of its territory (about 85%) as predominantly urban and the rest as intermediate. The statistical office of the Netherlands (CBS) uses a different scale to classify the territory, and identifies some rural areas in the north of the country (see Box 13.1). All the province of North Brabant is classified as predominantly urban (CBS, 2006).

Figure 13.1. **BrabantStad partnership territory**



Note: This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

The partnership territory is not defined in terms of a functional area. This is because the territory coincides with the administrative boundaries of the province of North Brabant. North Brabant is divided into four NUTS3 regions: West, Midden, Noordoost and Zuidoost. The four main regional partnerships between the five cities and their neighbouring municipalities almost correspond with COROP regions.[2] Each area has a central core (e.g. a city) with a surrounding catchment area. The FRBS represents a type of second level of co-operation among the five representative cities of these regions. The land-use maps of Brabant show an even spread of cities, villages, countryside and natural areas across Brabant. There are hardly any concentrations. Cities are not significantly larger than some of the urbanised villages. Larger natural areas are similar in size and always close to the city. Almost 39% of the population of the North Brabant province lives in less urban or non-urban municipalities. The main characteristic of the rural areas is their inclusion in the urban territory of the province, with easy accessibility to urban centres and services.

Table 13.1. **Basic statistics of the territory of BrabantStad (2010)**

Territory	Number of municipalities	Area (km²)	Population	Population density (population/km²)
Province of North Brabant	68	5 081.8	2 444 158	480.97
5 cities in BrabantStad	5	483.0	819 859	1 697.54

Source: OECD (2012), "Rurban background report: BrabantStad", unpublished.

Socio-economic profile

North Brabant is one of the most vital areas of the Netherlands. Like other parts of the country, it is characterised by clusters of industries and services. The area in the southeast, around Eindhoven, has a strong high-tech cluster, while the economy of the area in the centre and north of the province, around the city of Den Bosch, focuses on the agro-food and health industries. Finally, the area to the west of the province is specialised in maintenance and logistical services. These are relative degrees of specialisation and interwoven clusters. The clusters of industries and services, however, are not accompanied by a cluster of workers in these areas. The population density is fairly uniform throughout the province. A high volume of commuters puts pressure on the transport infrastructure.

The province's GDP per capita is in line with that of the Netherlands. Its growth rate of GDP per capita in the last ten years is also in line with the pattern of the GDP at the national level. This indicates the importance of North Brabant's economic activity for the Dutch economy, and the strong interconnection of economic sectors in North Brabant with the rest of the national economy. The unemployment rate, although it has been rising after a low of 2.34% in 2008, is still well below the average rate in OECD countries (Table 13.2).

Table 13.2. **BrabantStad socio-economic indicators**

	North Brabant	Netherlands	OECD
GDP per capita (USD, PPP), 2010	36 904	36 896	30 156
Average annual GDP per capita growth (%) (2000-2010)	0.73	0.9	0.74
Unemployment rate (%), 2011	4	4.4	7.9
Elderly dependency rate (%), 2011	24.1	23.3	22.1
Change in elderly rate between 1990-2009 (%)	53.24	29.20	-

Source: OECD (2013), *OECD Regional Statistics* (database), http://dx.doi.org/10.1787/region-data-en.

In terms of value added by sector, the main contributors are the manufacturing sector, the trade and transport sector and the government and health sector. With respect to the Netherlands as a whole, it appears that the province of North Brabant is highly specialised in manufacturing sectors (23% of total employment is in the industrial sector against 18% for the whole Netherlands in 2008, OECD Regional Database). The province consistently ranks as a leader in innovation on the Innovation scoreboard. The most important cluster, in terms of value of production, is the Brainport area, where most of the innovation factories are located, and the automotive industry around the area of Helmond. Over the last 10 years, the population of Brabant grew by 72 400, 90% of which is attributed to urban areas. Ageing is occurring everywhere in Brabant, but it is higher in the rural areas. The share of elderly as a proportion of the total population (elderly rate) has more than doubled since 1990, as shown in the last line of Table 13.2. The 15-29 years old age group tends to move from the rural areas in Brabant to the urban areas in the province, to study or to seek employment. At the same time, there is a slight inflow of younger families to rural areas.

Strengths and challenges of the region

In the BrabantStad network, the relationship between rural and urban areas is described as both complementary and interdependent. The mix of urban and rural areas is considered an asset of the province. Each area contributes specific qualities that make the

province attractive to new businesses (OECD, 2012b). The region is part of a select group of "high-tech producing regions". The issue of declining or shrinking population is gaining attention, since about one in three LGA experienced a slight (incidental) decline, mainly due to migration shortfalls. Due to proximity and good road and public transport connections, it is possible to live in a rural area and work in an urban area, but the reverse also occurs, creating overlapping labour markets. The density of the road network and complex relationship between urban and rural areas makes traffic congestion a concern.

Partnership purpose and characteristics

The Netherlands has a three-tier structure of government consisting of the national government; 12 provinces, which are each run by a commissioner, and a Cabinet, reporting to an elected council. The commissioner is formally appointed by the King; although in practice the King appoints the nominee of the council; and, 408 municipalities, which are run on the same model as the province, with an appointed mayor and executive, reporting to an elected council.

The national government has significant powers, including both supplying funding for more local tiers through grants and capital investment, and for the strategic transport network. The provincial councils and the municipalities are autonomous structures according to the Dutch Constitution that perform different roles. The municipalities focus on local service provision and land-use planning, whilst the provinces play a monitoring and co-ordination role. The province achieves its policy goals through processes of regional co-operation with local councils, water boards and national government agencies. This way, it is able to reach agreements on the development of housing, employment, services and rural development. The *Structuurvisie Brabant* (2010) which is prepared by the province, outlines the spatial policy of the province until 2025, and forms part of an integrated policy approach.

It is a crowded institutional environment. Water boards are also a type of government, charged with specific responsibilities for water management, water-quality management, wastewater purification and the maintenance of water barriers. The Netherlands has 27 water boards, with boundaries based on the catchments of streams and rivers. North Brabant is in three water board areas, all of which lie entirely within its boundaries.

Partnership structure

The BrabantStad network is a collaboration between municipalities that are not directly geographically connected. It was established in 2001 on the initiative of the then Queen's Commissioner of Brabant. The co-operation dates back to the fourth National Spatial Planning Policy Document (1991), which originally designated eight key cities, including Eindhoven. The province intervened to facilitate a more collaborative approach, with a culture and social links perspective. The commissioner brought together the mayors of the five largest cities within Brabant, Breda, Eindhoven, Helmond, 's-Hertogenbosch and Tilburg, to collaborate. It was designated as a national urban network in the fifth National Spatial Planning Policy Document (2004).

BrabantStad is a formal, but unstructured (that is, not based on a statute), strategic partnership. It has a complex system of discussion, joint working and decision making, with decisions reached through consensus. The various levels of organisation within BrabantStad include:

- the ambassadors – the commissioner and mayors of the five cities

- a steering committee made up of senior representatives from the Cabinet/executives of the six partners
- a small support team based within the province, but responsible to the steering committee
- a range of collaborative working parties focused on the agreed themes, drawing together officials from the six partners and involving other stakeholders.

There is also an advisory structure, bringing together partners from universities and business in a reproduction of the "triple-helix" model of co-operation. The province is a key part of the BrabantStad partnership, providing the institutional framework, the regional spatial planning context and the guarantor of the "voice" of those parts of the region not explicitly engaged in the BrabantStad structure.

There is no administrative structure per se. Instead, the support team is employed by the province, but delegated to the partnership. Their role is focused on co-ordination, and on support for the work of the various structures set out above. At the heart of the partnership are the "ambassadors" of the partnership in general, who focus on lobbying the central government of the Netherlands and the European Commission. Specific lobbying strategies are also developed and organised when the need for them arises, and may involve topical experts. The steering committee provides the general guidelines in terms of the vision and future programmes of the partnership; it consists of representatives of the six partners. At an operational level are several "working groups" that deal with specific topics, in which experts from the administrative body of the five cities and the province participate. A group of co-ordinators, one from each of the six partners, works closely with the support team.

Decision making, representation and implementation of decisions remain the role of the cities and the provinces. Internal decisions, such as implementation of spatial development priorities, would be implemented by the relevant city or cities, or the province. Lobbying strategies, for example aimed at the central government or the European institutions, are taken forward through agreed processes. For example, typically, one mayor would take part in a discussion with a government minister on behalf of BrabantStad, but would represent and promote agreed positions and highlight the potential for development across the area, wherever its location.

Partnership aims

The overarching aim is "to develop the BrabantStad metropolitan area as an urban network" (Strategic Agenda BrabantStad, 2012-2020: 11). The key focus is the economic development of the five cities, to establish the area as a key "hub" and raise both its national and international profile. The partnership evolved in stages. It has moved beyond being a loose strategic partnership between the province and the five cities, focused on lobbying, and has begun to develop a focus on integrated spatial planning. It produces a key strategic document on a four-year cycle. The 2008 programme delivered investment into a pooled programme worth EUR 1.4 billion supporting an agreed spatial planning framework. The 2012-2020 Strategy[3] will continue this work, focusing on a programme across economic development, mobility and accessibility and the quality of a range of infrastructure investments, improving the facilities available for residents and investors.

Today, the fields of activity for the partnership are strongly oriented towards representational and spatial planning functions and how these can support other activities; with a strong focus on land use, environment and infrastructure. Its narrative is firmly

economic growth and development and addressing underlying conditions, ranging from providing a skilled workforce to the quality of the living environment.

The BrabantStad partnership has added a further area of joint activity, proposing Eindhoven as the Dutch nominee for the 2018 EU Capital of Culture. It is clear that the partners regard the decision to invest collectively in Eindhoven's bid for Capital of Culture as a genuine next step, outside their usual field of vision, which will have implications for how they work. The Capital of Culture project is the first example of co-investing rather than fund-raising or pooled or co-ordinated investing. The agreement is based on the investment of EUR 100 million, which is financed by the province (which contributed EUR 50 million) and the cities (EUR 10 million each). The project is also linked to another aim, branding the territory to attract funds and qualified workers. The expectation is that the Capital of Culture project will spur further development, to help promote the area and ensure that different parts of the network, in particular the other four cities, derive spill-over benefits from the projection of Eindhoven.

The economic focus is clear from the strategic agenda 2012-2020. It sets out four developmental goals:

1. Strengthening economic resilience through knowledge, innovation and valorisation. The role of the partnership is to facilitate connection between leading economic sectors in order to exploit possible synergies; and to encourage co-operation between educational institutes and entrepreneurs to achieve a better match of jobs with skills.
2. Increasing the international appeal of the territory. The partnership has facilitated the co-operation of the five cities to back Eindhoven's bid to become a European Capital of Culture.
3. Increasing international accessibility. The aim is to establish a cohesive network of highways and roads by restructuring existing infrastructure and creating new ones, and establishing a cohesive public transport system both within Brabant and with international destinations (e.g. a rail link between Rotterdam, Antwerp and the Ruhr Valley).
4. Strengthening the spatial structure of the urban network. This goal takes the view that spatial quality is essential for an optimal environment for firms, and also to attract qualified workers. BrabantStad's role would be to co-ordinate activities, providing a platform for knowledge sharing and knowledge development (the current decentralisation reform assigns the provinces expansive new powers for spatial planning).

The development of BrabantStad as an effective and efficient partnership and a route to secure investment is seen as the foundation of these goals. The fourth goal can be translated as trying to achieve a better relationship between rural and urban areas. The strategic agenda notes "improving the metropolitan mosaic" as a goal. Its threefold objectives are: *i)* to ensure that cities become more urbanised; *ii)* villages keep their rural look; and *iii)* the areas in between are kept free of urbanisation.

The province is characterised by industrial clusters, as described in the socio-economic profile. One of the partnership's goals is to promote collaboration among the five cities to promote spill-over benefits between these sectors. A key focus is the Brainport cluster around the cities of Eindhoven and Helmond, whose stated aim is to become one of the world's five most innovative economic areas. Other parts of the

province have defined roles that are partially complementary but build on their own historic assets. Other key sectors are logistics, energy and food.

A history of collaboration

The Netherlands has a strong history of collaboration and an environment that is institutionally disposed to partnership. The Joint Arrangements Law (*Gemeenschappelijke Regelingen*) promotes co-operation between neighbouring municipalities and sets the rules for co-operation between municipalities, provinces and water boards. Under the law, municipalities have two options: a partnership, outsourcing (executive) tasks to another municipality, or introducing a joint body. This history provides the partnership orientation underpinning the BrabantStad approach. To date, over 81 regional partnerships have the province as a partner. Themes for co-operation vary from economic development, traffic and mobility to the environment. This crowded system inevitably requires high levels of co-ordination and co-operation, and a range of initiatives has been launched to promote co-operation. The national government has tried to organise this with different designations.

A formal administrative partnership structure also exists, the city region of Eindhoven. An administrative structure of 21 municipalities, it was created to manage spatial planning, housing policies, transport and infrastructure. The Brainport Development Corporation was set up for this region to promote economic development. Informal co-operations exist in all the COROP regions between the main city in the region and the municipalities. For example, in West-North-Brabant, the city of Breda co-operates with the surrounding 19 municipalities (including Tholen, a municipality from Zeeland) to form a common agenda on issues such as quality of life, housing policies and economic issues. Inter-municipal co-operation between 's-Hertogenbosch and its surrounding rural municipalities focuses on activities like food production and industry (a scaled-down version of the "Amsterdam Food Strategy") and the bio-based economy. The Dutch political and legislative environment is shifting from formal forms of corporation, and it has been proposed that city regions be abolished. The national government is also indicating it wants to rationalise the number of governmental tiers and activities in the cause of efficiency and austerity.

There are also regional partnerships and other forms of co-operation amongst municipalities. Alongside these are examples of partnerships based on the "triple helix" model, where politicians, entrepreneurs and research institutions co-operate on the economic development of specific areas and industries (e.g. Brainport). Use is made of EU funds through a LEADER (*Liaison entre actions de développement de l'économie rurale*) programme to promote action in the field of community-based development and rural healthcare. Various networks were set up to develop plans for the reconstruction of the rural areas after the outbreak of veterinary diseases at the end of the 20th century. Goals included natural development agriculture, countryside development, water and soil conservation, recreation, local employment and levels of services. There is general agreement on the need for a transition of the rural areas and the relationship with the cities. Now that the plans have been developed and incorporated into the spatial policies of the province, the networks are transforming into self-supporting platforms. There are currently eight such platforms in North Brabant.

The Boven Dommel Platform is one example, involving the city of Eindhoven and six neighbouring municipalities: the Eindhoven city region, the province and the water board. The platform has an active role in initiating and brokering projects. One example is the Slim Bos (smart forest) project to develop new technologies to prevent bushfires

with sensor networks. Close links established with Philips can create added value to develop such new technologies and expand such activities in future. Another example is the Genneper Parken, a 40-hectare park in the periphery of Eindhoven (City Gate). This park aims to secure the links between agriculture and the city, including a social concern (integration of handicapped persons in the running of a city farm). It is a good meeting place for agriculture, nature and consumers: city families can buy products and experience the production process and are encouraged to visit regularly. A broad partnership steers the project, involving the partners in the Boven Dommel Platform, the Chamber of Commerce, the agricultural sector and social organisations.

In many of the regional partnerships, at least one of the five cities of BrabantStad is involved. Participants acknowledged this involvement as the connection with BrabantStad. The cities in BrabantStad also consider themselves representatives of these regional partnerships.

Partnership strengths and weaknesses

As an example of partnership, BrabantStad appears to be effective in delivering the objectives it has set for itself. Two elements play a key role in the partnership: leadership and trust. A clear understanding of the purpose of BrabantStad is evident, as well as a positive rationale for its work. Leaders play a central role in the partnership. Leaders appear to enjoy a high level of mutual trust at executive and operational levels in the province, in the five cities' administrations. Working parties facilitate exchanges within the partnership, but discussion of next steps in the BrabantStad also seem to take place in informal settings. Informants referred to these as "fireside" meetings between the mayors of the five cities and the commissioner. Neither the mayors nor the commissioner are elected, since they are appointed by the central government for a period of six years, with the possibility of a renewal for another six years. The city and province councils are the only elected bodies, and their mandate lasts for four years. This aspect, and its unstructured nature, makes the partnership vulnerable to leadership shifts.

Trust is a common unifying element. The social structure of the Brabant region suggests that one of the main characteristics of people is their willingness to co-operate, and their understanding of the benefits of co-operation in the long run. This is reflected in a high level of social capital, as measured by the index of interpersonal trust. The World Value Survey Association measures the response to a question whether most people can be trusted; the indicator measures the percentage of people that responded "most people can be trusted" in the survey of 1995-97 (Inglehart et al., 2000). Table 13.3 shows that the macro area where BrabantStad is located, Zuid-Nederland, is characterised by a high level of trust. Overall, the level of trust in the Netherlands is much higher than the average in the sample considered by the study.[4]

Table 13.3. **Indicators of trust (survey 1995-97)**

	Trust
Noord-Nederland	47.30
Oost-Nederland	64.14
West-Nederland	53.16
Zuid-Nederland	50.00
Average in the sample	**35.52**

Source: World Value Survey.

The efficacy of the co-operation is determined by several factors: the number of members, their identity and the social context in which they operate. The small number of members, five municipalities and the province, makes negotiation and the possibility of finding a common solution easier to achieve. The five cities' similar size makes it likely that they would face common problems. Finally, the social context also facilitates co-operation. As shown in Table 13.3, the people in North Brabant have a high level of interpersonal trust, which is important in making agreements that are often based on sacrificing short-term benefits for greater long-term ones.

The strategic agenda represents an important achievement of the partnership, as it signals a commitment to long-term objectives. It is therefore the best instrument to assure the co-operation of the cities in the future and on topics that are relevant for the economic development of the province of North-Brabant. However, some clarity around the branding will be needed. There are a range of other brands within Brabant which can be confusing. These include the province and the cities, in particular Eindhoven, various sub-regional brands such as Noord-Brabant, and partnership brands such as Brainport which provides a strong identity for the "triple helix" economic partnership for the Eindhoven city region. Arguably, the aim to create a recognisable brand for the region could create confusion with these established identities. In fact promoting the BrabantStad brand may come at the detriment of the specific identity of the five cities. Delineating and understanding this multiplicity of identities will become increasingly important and it was unclear to the extent that this issue was being considered.

Rural-urban in BrabantStad

BrabantStad is much more difficult to understand as a rural-urban partnership in the sense of this research study. It describes itself as a "network of cities" and the national spatial planning concept describes it as an "urban network". The rural areas in the province are small, and many are strongly connected to the urban areas. Few areas are not within easy reach of an urban centre. This is complemented by a well-developed transport system with defined standards of accessibility to urban services and rural services. The focus of the partnership and the heavily urban nature of the region would appear, *prima facie*, to make this notion difficult to sustain in this area.

There is, however, a healthy respect for the interdependencies between the rural and urban areas and the services they provide to each other. This interdependence is being reinforced in a number of ways. For example, the Southern Agriculture and Horticulture Organisation (ZLTO) was involved at all levels in constructing the strategic agenda for BrabantStad. Another instance is the decision to develop Brabant as a "distributed province" that aimed to "balance ecology, social and economic dimensions", as well as the decision to prevent urban development in the green space between Tilburg, Den Bosch and Breda. This could have resulted in a strong urban pole of around 900 000 people. Instead, the distributed model was adopted, in which the cities collaborated to maintain this space as the *Groene Woud* (the Green Forest rural park), a model being pursued elsewhere in the area. The economic strategy of the five cities is seen as key to the food, leisure and tourism economy. The view that international workers can solve the problem of an ageing population and outward migration from villages is also being considered.

Despite the vision of the rural, the partnership does not necessarily tackle rural topics. Compared to other regional partnerships (e.g. West Brabant), the BrabantStad is not dealing directly with municipal problems in the countryside (e.g. the healthcare system,

which is under pressure due to reduction in state subsidies, demographic change and ageing). Rural areas are not directly involved in the BrabantStad process: the five cities are the key players in the strategic decision process. Each represents not only itself but its own inter-municipal co-operation network (and the region). Partners from rural communities, villages and other stakeholder levels are included in the network system in working parties and the four "regional structures" that feed into the BrabantStad system. Artmann et al. (2012) note that sustainability in a rural-urban partnership is only possible with a degree of organisational structure. This is one of the risks in BrabantStad. Most relationships exist on an informal basis, which provides flexibility but also runs the risk of breakdown. A longer-lasting co-operation including rural municipalities will only work with an organisational structure that has at least basic rules for participation and problem-solving strategies.

Box 13.2. **The BrabantStad strategy on rural areas**

The 2012 BrabantStad strategy provides a clear perspective on the place of "rural" areas in its economic strategy, identifying:

- Its contribution to the quality of life of the area and what it can offer to the international investors and high-skilled workers that the area seeks to attract. The strategy document states the need to address "a glaring shortage expected in skills and knowledge workers". Participants insisted that the role of rural areas was crucial in attracting investment and skilled labour.
- The need to manage land availability for both industrial and leisure purposes, ensuring that the regulatory environment can secure investment, while supporting land-based sporting and cultural initiatives.
- The aim of maintaining the sustainability of the settlements around the hinterlands of the cities, providing a varied network of living environments for both visitors and local residents.

To become a more rural-urban partnership, more rural topics could be included in the strategy and a more direct link to rural actors encouraged. At present, the benefits to the rural areas from BrabantStad partnership are more indirect and the province is the voice of rural. Co-operation with more rural areas could be stronger if the cities included rural purposes in their strategy (e.g. tourism). Territorial identity is strong in both urban and rural areas. This link should be strengthened in the fields of employment, housing, transport and recreation. Strong economic development, resulting in vibrant industrial clusters (Agrifood, Brainport, pharmaceutics, logistics), allows villages several possibilities. They can keep their size, because jobs are available nearby and workers can commute; increase the number of workers coming from outside the Netherlands to work in the industrial clusters; and co-operate with the industrial clusters to find solutions to challenges such as ageing, declining population (e.g. Boven Dommel, West Brabant).

In Brabant, agrofood products and amenities in rural places have evolved, due to the increasing proximity of urban and rural areas related to urban sprawl. For example, 37% of relations between firms are between firms in rural and in urban places. While residents are often reluctant to live next to farms, which creates problems for intensive production, strong links do exist, for example the Venkomatic farm, which produces higher-priced organic eggs in local facilities and welcomes tourists. In general, attempts to develop local markets have introduced new ways to connect with consumers. One farm invites

customers to watch the harvesting of peas at night, to maximise freshness and create loyalty. Den Bosch and Tilburg have developed an urban egg company that has traded on its local connections. The key to both of these projects is that production is close to the city, where customers have easy access it.

Conclusions and looking ahead

The BrabantStad case study analyses a flourishing collaboration of five urban regions/cities that clearly see themselves as a metropolitan region. Their rural areas are seen as important in attracting workers and providing a good livelihood for citizens. In some respects, BrabantStad is not exactly a rural-urban partnership, but it does have a clear rural perspective. It values the contribution of its natural assets to its economic agenda and has an authentic and sophisticated view for differentiating urban and rural, as it reinforces its economic advantages. As a polycentric, intermediate area, it sees its complementary economic, social and environmental assets as a competitive advantage. They are also perceived as a way of addressing some of the social challenges in rural areas, at least in those in close proximity to the cities. The clear understanding of this at different levels was consistent and impressive. A plausible classification of the BrabantStad partnership is as an urban network with a clear rural perspective. The rural voice is largely introduced through the wider role of the province, although the process of using the collaborations at the regional level may add further depth to these evolving relationships (partnership of partnerships).

BrabantStad could face several challenges in the near future. They include:

1. **Maintaining focus on long-term objectives.** At a time of financial crisis and lack of resources or funds, a tendency to focus on the short-term and on immediate individual gains becomes stronger, making it more difficult to sustain the partnership.
2. **Defining the right institutional model for the partnership.** Given the preference for informality, as well as government resistance to formal partnership networks, the likelihood of institutionalising the partnership is low, and other avenues should be explored. The partnership model used by Newcastle in the United Kingdom could provide some insights.
3. **Matching the regional branding scheme to a "product".** The partnership hopes to create a BrabantStad brand or promotional device to market the region and increase its international visibility. However, recognisable brand identities linked to the different cities (e.g. Eindhoven-Brainport) make it less clear what to promote as BrabantStad's signature products. Equally, the incentive to adopt and promote one brand over another internationally (e.g. the BrabantStad brand over the Eindhoven-Brainport brand) is less developed.
4. **Decentralisation.** Decentralisation of the spatial planning function to the province, and health and social welfare services to the municipal level is a challenge for the municipalities. However, it could be a chance for the network to co-ordinate its activities and provide support. Since the five member cities are not contiguous, this may represent a limitation, given the territorial dimension of public services.

5. **Limited membership structure.** The partnership is restricted to the five main cities in Brabant; and it is not clear what will happen if more cities or towns want to join. The proper involvement of the collaborations on the regional level in the BrabantStad processes is key here.
6. **Vulnerability to changing political winds.** The network is heavily dependent on existing personnel and relationships. All the mayors and the commissioner share an understanding and are able to discuss their problems, as are the elected officials on the Steering Committee and working parties. However, as new officials are elected and new mayors appointed, the partnership could be jeopardised if its objectives do not jibe with a mayor's platform. Similarly, the municipality-based structure has the advantage of guaranteeing the implementation of projects at the local level, due to the power of the partners. But, as these administrators depend on election results, they too have to ensure that the co-operation has an added value for their citizens.
7. **The province's input is needed at a strategic level for the whole area**, (e.g. setting up processes to guide the transition of the rural areas), whereas tactical and operational implementation must take place at the regional level. This ties in with the finding that North Brabant includes several functional areas.

Notes

1. Historically, the region of Brabant consisted of the territory of North Brabant, and the north of Belgium. This historical link accounts for many similarities between the two regions, and strong ties persist. One of the meetings held in Eindhoven was attended by the mayor of Neerpelt, a small Belgian town next to the border.
2. COROP stands for Co-ordinating Committee for the Regional Research Programme.
3. Strategic Agenda Brabantstad, 2012-2020.
4. The sample we considered consisted of data for TL2 regional level of the following countries: Belgium, Germany, Italy, Netherlands, Portugal, Spain and the United Kingdom.

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Chapter 14

Poland: Central Zone – West Pomeranian Region

Summary and conclusions

Main findings. (1) Discussions of the proposal by the Central Zone of West Pomeranian Voivodeship for a rural-urban partnership are in the early stages. (2) The need for a rural-urban alliance is acknowledged, but its form, function and scope have yet to be defined. (3) Partnership is a new concept in this region, and observed partnerships mainly involve the public sector, especially in inter-municipal co-operation initiatives. (4) Certain partnerships that serve as examples of different collaborative efforts in the region could provide a foundation on which to build. Some potential areas for co-operation could be the basis for a formal rural-urban Central Zone partnership. (5) The major challenges for co-operation are the limited co-ordination between different levels of government (e.g. the need for more strategic leadership at the regional scale), and weak territorial identity, which has resulted in a limited willingness to co-operate and in horizontal fragmentation in the governance scheme. (6) The Central Zone is an appropriate scale at which to look at common challenges for a group of integrated urban and rural areas.

Territory under analysis. The territory under analysis is the Central Zone of West Pomeranian Voivodeship, which includes 18 communes, including 1 municipal commune, 10 municipal-rural communes and 7 rural communes ranging from 2 600 to 16 800 inhabitants. The main system includes 6 towns with from 7 150 to 15 700 citizens (Drawsko Pomorskie, Złocieniec, Czaplinek, Połczyn Zdrój, Świdwin and Łobez). The Regional Office for Spatial Planning has divided the regional territory into five functional regions for development purposes. The identification of functional zones in Polish regions is part of a national strategy. The criteria used include environmental, anthropogenic and general socio-economic conditions, such as unemployment rates.

Historical background of the partnership. The regional territory has experienced profound transitions in terms of population and the composition of local society, and territorial identity and community ties are weak. However, the territory's need to provide public services and spatial planning make co-operation among small territorial units (e.g. municipalities) inevitable to deal with these challenges. Municipalities are the smallest units of government and since 1990, have had a high degree of autonomy and a wide range of competences. In 1999, an intermediate layer of government, the regions, with competences in strategic planning and development, was created in view of Poland's accession to the EU. The Regional Development Ministry has proposed that collaboration between the various authorities and agencies working within the Central Zone will enable them to address a number of pressing issues and opportunities, including these demographic challenges, more effectively than working at the municipal or county level.

Partnership activities. The rural-urban partnership would build either on the existing efforts of the inter-municipal co-operation or on the local action groups (LAGs). Inter-municipal co-operation is aimed at improving service provision, especially in waste management and environmental protection. The LAGs elaborate local development strategies and can formalise their partnership through contracts with regions. Given the region's mix of natural assets, one of the key proposals for a rural-urban alliance is a collaboration based on tourism, which could create other opportunities, e.g. local foods, accommodation, marketing, etc., or collaboration based on renewable energy. In 2010, the government initiated a process to build multi-level governance partnerships in the area, with the co-operation of the regional and local governments.

Future challenges. Since the region has already identified functional zones where urban and rural areas interact, the first task is to use these functional units as an object of policy, including the EU 2014-2020 cohesion policy. This means facilitating inter-municipal co-operation, as well as improving the dialogue between public institutions and the private sector. The main challenges are building an efficient network to overcome mistrust and lack of co-operation. A stronger strategic role for the region is seen as crucial to co-ordinate different initiatives and clarify responsibilities across different sub-national levels of government. In the longer term, a stronger territorial identity could significantly facilitate the partnerships' effectiveness, by increasing political willingness to co-operate.

Regional overview

Territory under analysis

The area under analysis, the Central Zone, is located at the heart of the West Pomeranian Region (*voivodeship*, TL2). The region is in northwest Poland, with the German territories of Vorpommern-Mecklenberg and Brandenburg to the west, and the Polish regions of Pomerania, Greater Poland and Lubusz to the south and east. To the north, the Baltic Sea coast spans its whole length. West Pomerania has 1.7 million inhabitants, and about 40% of the regional population lives in 5 large towns. Szczecin, Poland's seventh city, is the largest, with 410 000 inhabitants, 550 000 including its metropolitan area). It is the main servicing centre for the western part of the region, and its historical capital. A sea-inland port on the River Oder, it combines with Świnoujście to provide one of the more significant economic activities of the region, in port and logistics. It is also a key entry point to Poland as a whole, and one of the key locations on the north-south European transport corridor that runs from Scandinavia to Greece. To the south of West Pomerania, a further strategic transport corridor runs across Poland, linking Berlin to Poznań, where it forks, with one fork heading northeast to the Baltic states, and the other heading east to Warsaw and onwards towards Eastern Europe.

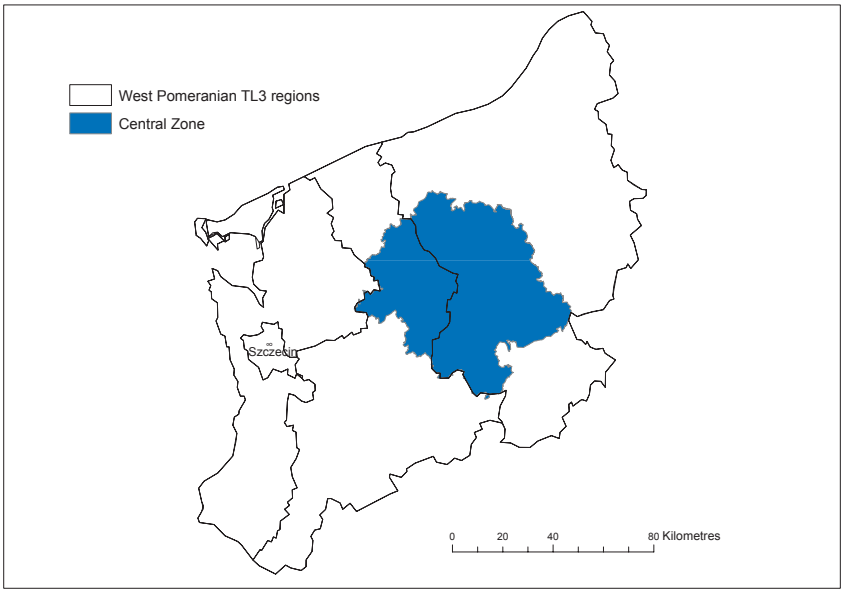
The Central Zone, the survey area, is a "functional zone" located in the central eastern part of West Pomerania. In fact, in the approved Spatial Management Plan of West Pomeranian Region (Regional Office for Spatial Planning of the West Pomeranian Region, 2012), the Regional Office for Spatial Planning has sub-divided the region into five functional zones with development purposes as follows. Figure 14.1 shows the Central Zone and the West Pomeranian region with the boundaries of its counties (NUTS3). From the figure it emerges that Central Zone covers an area that crosses three counties (Drawski, Łobeski and Świdwiński).

Table 14.1. **The functional zones in the West Pomeranian region**

Zone	Character and function
Oder	Focused around Szczecin, enclosing the functional economic area of the city on the Polish side of the border, the linked port of Świnoujście and smaller centres to the east, including Stargard.
Coastal	Includes the Baltic Coastal strip and encloses the two centres of Koszalin and Kołobrzeg, mainly a tourism and maritime economy.
Central	A group of towns and their hinterland in the centre of the region with an economy based on tourism, some agriculture and forestry.
Choszczno and Walcz	A strip in the south of the region covering some protected landscapes, characterised by nature conservation, forestry, tourism and some agriculture.
Szczecinek	A regional town to the east, with a focus on agriculture, forestry and tourism.

Source: OECD (2012), "Rurban background report: West Pomeranian Region", OECD, unpublished.

Figure 14.1. **West Pomerania showing Central Zone**



Note: This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

Delineating functional zones is part of a national strategy

The ministries are currently involved in an institutional reform to give more importance to sectoral co-ordination and territorial strategies. In 2012, the Polish government enacted a document called the National Spatial Development Concept 2030 (in Polish, "KPZK 2030"). This sets out a new integrated territorial development strategy and related investment plans, and for the first time addresses the issue of "functional zones" in spatial planning. The Concept identifies the need to identify functional zones, and the "KPZK 2030" defines them as "a problem area, where particular spatial occurrences take place or where spatial conflicts exist". The document does not say precisely how to delimit these functional zones, and criteria for delimitation remain vague at this stage: discussion on the criteria is ongoing in Poland. After delineation, the challenge will be to integrate functional zones into the next EU funding period.

For the Central Zone specifically, criteria are being developed for the area of influence of the main cities, transport accessibility from rural areas to city centres (reduced to a maximum of 30 minutes from more than an hour) and socio-economic situation (unemployment rate above the regional average).

The territory in the Central Zone consists of six cities, each of which services a small hinterland and an enclosed rural area. It has 18 communes, not all of which are municipalities, ranging in population from 2 700 to 17 500. The total population, of around 140 000, has been in steady decline for 20 years.

Table 14.2. **Basic statistics of the Central Zone and West Pomerania (2010)**

Territory	Population	Land area (km²)	Population density (people per km²)	Number of municipalities
Central Zone	146 867	4 073	36.1	18
West Pomerania	1 693 198	22 892	74.0	114

Source: OECD (2012), "Rurban background report: West Pomeranian Region", OECD, unpublished; OECD (2013), *OECD Regional Statistics* (database), http://dx.doi.org/10.1787/region-data-en.

The regions were created in 1999, as Poland prepared its entry into the EU and implemented the conditions to capture EU Structural Funds for strategic planning and development. Through an agreement with the national government (regional contracts), they receive a specific budget for major public service needs (e.g. road infrastructure, healthcare and education facilities). Each region formulates a Regional Spatial Strategy and a Regional Development Strategy (involving EU funding-based activities), within the framework of a Spatial Development Plan. The *voivode* is the representative of the Council of Ministers in the territory and plays a supervisory role over territorial self-governments, directly elected by citizens.

Table 14.3. **Central Zone: District and commune structure**

District	Commune	Additional division within urban-rural commune (to rural and urban areas)
Drawski district	Czaplinek (3)	**Czaplinek *miasto* (city)(4)** **Czaplinek *obszar wiejski* – (rural area) (5)**
	Drawsko Pomorskie (3)	**Drawsko Pomorskie *miasto* (city) (4)** **Drawsko Pomorskie *obszar wiejski* – (rural area) (5)**
	Kalisz Pomorski (3)	**Kalisz Pomorski *miasto* (city) (4)** **Kalisz Pomorski *obszar wiejski* – (rural area) (5)**
	Ostrowice (2)	
	Wierzchowo (2)	
	Złocieniec (3)	**Złocieniec *miasto* (city) (4)** **Złocieniec *obszar wiejski* – (rural area) (5)**
Świdwiński district	Świdwin (1) city commune	
	Brzeżno (2)	
	Połczyn – Zdrój (3)	**Połczyn – Zdrój *miasto* (city) (4)** **Połczyn – Zdrój *obszar wiejski* – (rural area) (5)**
	Rąbano (2)	
	Sławoborze (2)	
	Świdwin (2) rural commune	
Łobeski district	Dobra (3)	**Dobra *miasto* (city) (4)** **Dobra *obszar wiejski* – (rural area) (5)**
	Łobez (3)	**Łobez *miasto* (city) (4)** **Łobez *obszar wiejski* – (rural area) (5)**
	Radowo Małe (2)	
	Resko (3)	**Resko *miasto* (city) (4)** **Resko *obszar wiejski* – (rural area) (5)**
	Węgorzyno (3)	**Węgorzyno *miasto* (city) (4)** **Węgorzyno *obszar wiejski* – (rural area) (5)**
Stargardzki district (part)	Ińsko (3)	**Ińsko *miasto* (city) (4)** **Ińsko *obszar wiejski* – (rural area) (5)**

Notes: 1. Municipality. 2. Rural. 3. Municipal and rural/urban and rural. 4. Municipal and rural/ urban and rural: city. 5. Municipal and rural/urban and rural: rural area.

The Polish administrative hierarchy also includes a county or district level (*powiat,* NUTS4), between the regional and municipal level. The Central Zone includes three counties. The county level was also created in 1999 (a total of 314) and has a limited role, sharing secondary schools, hospital and healthcare services with other scales; labour market including unemployment prevention, and public transport.

Self-governed since 1990, the municipality (*gmin*, NUTS5, 2 479) is the smallest and oldest layer of local government. It has a high degree of autonomy and is in charge of a broad set of competences:

- land management
- developing local law in spatial planning
- basic infrastructure, including housing
- public service delivery, such as health, social, education and transport services.

The difference between rural and urban areas

The communes are the basic self-governing units in the Polish territorial division, which uses the ULMA (Urban Labour Market Areas) classification of territorial units. Poland recognises three types of communes: municipal, rural and "urban-rural", a third type of commune. The rural-urban communes are further divided into city and rural areas (see Table 14.3). Of the 2 479 municipalities in the country, 597 fall in the third category and account for 60% of the population. Each of these urban-rural areas includes urban centres surrounded by several villages.

The differentiation between urban and rural areas makes more sense when shifting from national policy towards cross-border co-operation. The West Pomeranian Region Office for Spatial Planning is involved in an INTERREG IVC (inter-regional) co-operation project with five countries, called URMA (Urban-Rural partnerships in Metropolitan Areas). The goal is to exchange knowledge and good practices and improve urban-rural co-operation in innovation, research and technological development.

Historical context

Alongside the spatial structure, the historical context is equally important in this case study. The region, like much of Poland, has experienced significant territorial conflict in its history, shifting between Germany, Poland and Sweden through the centuries. Even after settling its national status, functional and administrative borders have evolved. The functional labour market surrounding Szczecin is almost equally split between Germany and Poland. Due to an administrative reform in 1999, West Pomerania absorbed the territories of the former Szczecin and Koszalin regions, as well as parts of the regions of Piła and Gorzow.

This territorial instability is matched by population instability, partly caused by these ongoing territorial transitions. Profound population changes in World War II, and the resettlement policies of more recent Polish governments, have left little sense of embedded culture or territorial identity in the area and few strong ties of community. The current generation of young citizens is only the second to include a significant portion of the population born in the region. Significant enclaves of Ukrainian descent remain.

Socio-economic profile

The economic structure of West Pomerania has changed. A large industrial sector has been significantly reduced and the role of the maritime economy limited to transport functions only. Coastal tourism and services now play a big part in the economy. The state-run agricultural sector has disappeared in the transition, to be replaced by small private farms. Limited economic opportunities and unemployment higher than the state average are leading to significant population loss, causing long-term concerns.

Economic assets in the Central Zone include a few notable spa facilities, for example at Połczyn Zdroj, tourism and an exceptional natural environment, including a number of protected areas, lakes and forests, agriculture and forestry. Micro-food opportunities include mushrooms and honey and an assortment of other businesses, such as traditional ceramics. The joint potential of neighbouring towns may help create common economic assets and a rise in internal demand.

Table 14.4. **Central Zone socio-economic indicators**

	Central Zone[a]	West Pomeranian Region	Poland	OECD
GDP per capita (USD, PPP), 2010		15 090	17 194	30 156
Unemployment rate (%), 2011	14.2	10.9	10.1	7.9
Elderly dependency rate (%), 2011	21.9	16.8	18.9	22.1

Note: a) Year 2009

Source: OECD (2012), "Rurban background report: West Pomeranian Region", OECD, unpublished; OECD (2013), *OECD Regional Statistics* (database), http://dx.doi.org/10.1787/region-data-en.

Strengths and challenges of the region

In general, weak territorial cohesion is an issue. Depopulation is a challenge: the Central Zone's population was 147 000 in 2010 and declined by 2.3% between 2002 and 2010. This resulted from a negative migration balance, which outnumbered the positive birth rate. A pattern of migration is observed from villages to small towns and small and medium to bigger towns. In this ageing community, many younger people, particularly women, choose to leave the area to seek economic opportunities.

Another key challenge is service delivery. The local level has insufficient funding to provide the required services and facilities. Transport suffers from a similar disjuncture. Connectivity is a concern, due to the lack of an integrated public transport system and poor road and rail links. Even the regional core city (Szczecin) has poor road connectivity with other urban centres. Local transport has largely been privatised, with services provided under contract to the national government or through market mechanisms. The only public transport provider at present is a Car Communication Company (PKS) as well as the Polish State Railways (PKP). Public transport provision tends to be restricted to the most popular and viable routes. Sensitivity to local needs is weak, as is response to local innovation that could help support marginal or essential, but loss-making services, through subsidies, service restructure or redesign.

Bus service is equally problematic, described by some as "inefficient", with limited economic returns. Bus companies are restricted in using capital resources to invest in new vehicles. The vehicles being used in rural communities are the same as the ones used on more popular and commuter routes. Challenges in providing transport to the elderly are

also a concern. Transport (public and private) has developed formal and informal partnerships with community groups that are hired to run "community taxis" for older people for hospital appointments, picking up prescriptions and grocery shopping.

Changes in the transport system are expected to resolve some of these issues. As of 2017, local county administrations will be responsible for developing and overseeing local strategic transport planning, with this responsibility devolved from the centre. Talks are in progress for a joint public bus network between communes. The difficulty is to elaborate an efficient alternative to private cars given funding shortages for replacing deteriorated rolling stock, improving spatial accessibility of stops, shortening transfer time and increasing service frequency. Another idea would be to develop smaller buses for sparsely populated peripheral areas.

Healthcare provision in the Central Zone is considered average compared to the rest of the region. There are hospitals in 23 cities of the region, with multi-functional hospitals located in Drawsko and Połczyn Zdrój and one small hospital in Resko. Local general practice doctors have a list of 2 500 to 3 000 patients each. These private providers do not have a formal commissioning link with the main hospitals. General practitioners (GPs) provide night and holiday support, but the cost of private medical services is high.

Alongside the formal healthcare system, municipalities provide a range of community care activities, from day centres for older clients, to palliative and long-term care at home, and through voluntary and community activities, for example through local church groups. The fact that the municipalities heavily subsidise child care gives some indication that rural-urban partnerships recognise the importance of women to the area's social and economic infrastructure. The widespread view of these services is that they are of variable quality and quantity, with interruptions in the "flow" for patients. Local GPs are unable to influence the provision of hospital services contracted nationally or social services provided through municipalities. Meanwhile, hospitals are continuing to merge and divest themselves of services, with little reference to the needs profile in areas like the Central Zone.

A high rate of unemployment prevails in the region, with limited indications of how education is linked to employment and the region's strategic development. It lacks centres of higher education (only primary and secondary education units are located in the survey area) and the number of schools has dropped. The region is richly forested and has the potential to develop the logging industry and furniture making. No partnership arrangement with higher education institutions exists around labour market needs, or strategies to develop labour market potential. Neither is there investment in research and development. Since 2010, a dynamic development of broadband and wireless Internet access has been observed. Nonetheless, the Central Zone is at an evident disadvantage with respect to ICT and Internet access, which has been evaluated as average compared to the rest of West Pomerania.

Partnership purpose and characteristics

The Regional Development Ministry has proposed that collaboration between the various authorities and agencies working within the Central Zone would enable them to address a number of pressing issues, including these demographic challenges, more effectively than working at the level of either the municipal or county level. Collaboration would also prepare the areas within the zone to maximise opportunities to secure external investment from, in particular, EU funding, given the increasing focus of the 2014-2020

EU programmes on functionality. Discussions with representatives from the zone made clear that the proposal is attractive because it recognises that actors in the zone need to operate on a larger scale that could command more attention from the regional and national level. The key levels for operational delivery in Poland seem to be the national and the municipal level. Interim levels at regional and county level are much more about policy interpretation and administration. The regional level is meaningful in the creation and management of Regional Operational Programmes, among other actions. Decentralisation, if it was occurring, was a slow process of transition, with little focus on local capacity building to create more momentum. The economy is in transition from large state-organised enterprises to developing regional economic strategies. The region is at an early stage in this process and the economic strategy for the region is "open". In other words, it is not yet developed. Strategic documents at a range of levels (local, regional, national) have yielded little horizontal or vertical integration. West Pomerania is strategically located with easy access to Germany, Central and Eastern Europe and Scandinavia. Once capacity is developed, its location will give the region a natural advantage.

Partnership is a new concept in West Pomerania. Some partnerships in place serve as examples of different collaborative efforts in the region and could provide a foundation on which to build. Some potential areas for co-operation could be the basis for a formal rural-urban partnership. Both these forms are discussed below.

Partnership structure

Inter-municipal co-operation

Today, 60% of municipalities at national level are engaged in inter-municipal co-operation. No tradition of municipalities co-operating existed before 1989. The Regional Development Ministry proposal is that collaboration between the authorities and agencies working within the functional zones would enable them to address a number of pressing issues and opportunities more effectively than working at the level of either municipality or county.

The Central Zone does not seem to have any real experience of collaborative practice between municipalities. One example discussed was an initiative to develop a waste management facility for an area covering most of the proposed territory, and involving rural-urban partnerships. This had been designed to serve 100 000 people. Once the facility was established, some frustration ensued after a change in the national law requiring redesignation of waste management territorial boundaries required the facility to scale up to service 150 000 people, at a time of population decline and over-capacity in local facilities. This left the partnership in financial difficulty and created some caution about such initiatives in future.

A further example of collaboration is the joint work successfully undertaken by an association of 22 municipalities along the Parsęta River, from the Baltic Sea to the northeast sector of the Central Zone. The main objective was to organise water and sewage management in the Parsęta River Basin, a watercourse renowned for its attractiveness and its range of spas. This association has operated since 1992 around such objectives as increasing energy efficiency (renewables), reducing greenhouse gas emissions and improving health and living conditions. Accounts of this project highlighted the important leadership role of the mayor of one of the municipalities from

outside the Central Zone in creating and leading the partnership, bringing together other actors and defining clear economic, tourism and environmental goals.

Partnerships in the local action groups and local fishing groups

West Pomerania has 15 local action groups (LAG) and the Central Zone has 4, promoting the LEADER approach and funded 60% by the EU European Agricultural Fund for Rural Development (EAFRD). An LAG involves several villages and a few towns; its partnership involves three kinds of stakeholders: local governments, the civil society and individuals, and the private sector. The local government is dominant (through funding), and the private sector's participation is limited. Partnership between public and private stakeholders appears difficult to implement, and misunderstanding between the two could be attributed to historical reasons, such as state centralism.

The LAGs formulate local development strategies and can formalise partnerships in contracts with regions. No clear LEADER National Strategy is perceived from the local actors, but "over-administration" is considered particularly constraining. This is particularly true of project management, project selection and assessment procedures. There are basically four major fields of activity for the LAG projects:

- regeneration of rural areas and rebuilding of social infrastructure
- micro-enterprises and business creation
- diversification of agriculture, in particular towards agro-tourism
- small projects (less than EUR 6 000) of local community development.

The local fishing groups (LFGs, common in Poland) are built on the same structure and the same type of partnership as the LAGs. Their objective is to promote sustainable local actions in valorising fishing products and diversifying fishing activities. Every LFG includes representatives of the public, economic and social sectors. Their EU funding source is the European Fisheries Funds (EFF), rather than the EAFRD.

Potential areas for collaboration

Given the mix of natural assets in the region, one of the key proposals made by the Regional Development Ministry as a foundation for a rural-urban partnership is a collaboration to complement the region's asset of the Baltic coast. This could be marketed as an additional opportunity for visitors to the coastal strip. A variation on this proposition is to develop a more differentiated tourism proposition, not only to divert existing visitors to the region, but to combine and build on some of these resources to appeal more broadly. Examples include a "wellness" package, taking advantage of the spas, the natural landscape and its potential for hiking, cycling and other active pursuits, and a range of local food production opportunities that could be scaled up. This would probably target a different market and interest visitors drawn to the coast. The new market could include visitors from Szczecin and eastern Germany, and also other parts of Poland. This has the potential of being based on a more solid employment offer linked to production and services, but would also require scaling up in terms of investment and marketing.

Further collaboration to enhance accommodation could extend tourism beyond day visitors, given the limited spatial development in the towns. Linking up with areas outside the Central Zone on marketing could be promoted by the Regional Ministry or other regional functions, and also to differentiate this from existing initiatives such as the

Parsęta initiative. Some work appears to be under way, at least in Połczyn Zdroj, to identify and document possible tourism opportunities, including collaboration related to local foods. However, the regulatory environment imposes constraints in promoting local food production opportunities, which may need to be addressed through the region and national legislation.

An alternative proposition is to focus on activities such as energy generation (wind farms, bio-gas) and waste management, where unused rural land could offer opportunities for investment and employment. Development in waste management has been under consideration to address local supply requirements, but local residents are not yet sure that expanding this to a wider scale is desirable.

Partnership strengths and weaknesses

From the outset, some important strengths and weaknesses clearly exist. The first is the designated scale for the collaboration, the 19 municipalities. The others are linked to factors that will affect the partnership, no matter what the scale chosen. These include a lack of capacity, leadership, horizontal and vertical partnerships and networking, excessive central regulation, and the social and cultural legacy that has left a society with few skills to undertake the type of initiatives typical of the EU approach.

The Central Zone: Challenges ahead for a successful functional region

The Central Zone is composed of small-scale municipalities with no experience of collaboration, a local focus and a lack of shared identity. The West Pomeranian region's effort to draw together municipal capacity to collaborate at a larger scale seems praiseworthy. But the few examples of this being successful seem to rely on the vision and efforts of individuals, with a general absence of catalytic initiatives to support networking or build capacity from higher levels. External drivers that did prove successful, such as local action groups supported by the EU LEADER programme, relied on charismatic individuals who needed a high level of motivation to secure relatively small levels of resources.

It is not immediately clear why the Central Zone was designated as a territory, given that other areas close by, such as Choszczno, Walcz and Szczecinek, share similar functions in their focus on tourism and agriculture and similar challenges in service delivery. Informants suggest that the Central Zone has been designated as a territory because it can be easily accessed from nearby areas, such as Choszczno, Walcz and Szczecinek, within 30 minutes. In the provision of public services, a population of 140 000 makes sense, being towards the lower end of a good scale for enabling a strategic approach to services like local healthcare and primary and secondary education. Nonetheless, in an area such as the Central Zone, dealing with strategic issues of economic development and provision of key services seems problematic.

Matching the scale of governance to issues of functionality is an important consideration for any partnership. Common economic and service delivery challenges exist within the Central Zone, but although it was described as a "functional area", no clear sense emerged of what the function concerned. Instead, informants report that the partnership is less about function and more about making a cluster of towns "functional" or at least deriving ways to make the towns more "multi-functional".

It is too early to conclude whether the Central Zone as a functional region is the way to address current issues of territorial fragmentation. Nevertheless, it seems to be the right

answer for analysing the issues and to consider a common group of challenges faced by the six towns and their hinterlands. Stronger collaboration between the Central Zone municipalities will be a pre-requisite to making this a success.

These functional zones are a good fit with the new EU governance framework and could allow Poland to take advantage of the EU proposals for cohesion and rural development policies in the next programming period (2014-2020). The operational difficulty could be twofold: first, to integrate these functional areas in the EU programming scheme; and second to implement and manage projects in co-operation with West Pomerania. The question is how to deal with the risk of increasing competition between municipalities in these functional zones.

The new functional zones, targeted to development and service provision issues, appear to be the right scale to implement a territorial cohesion strategy involving rural-urban partnerships, particularly through LAGs. The possibility of expanding LAGs in other types of territories in the next EU funding programming period is welcome: agglomerations could be included in the current rural-urban partnerships. Perhaps joint management of the programmes could be implemented through Associations of Local Government Units (an association legally approved in Poland).

Governance challenges

Fragmentation horizontally and vertically in the governance structure is evident. The weaknesses of vertical co-ordination (between scales) include, first, that spatial and development instruments at different scales (local "studies of conditions", local zoning plans, development strategies, multiple-year investment plans, economic development plans, sectoral programmes) do not seem to be sufficiently articulated and co-ordinated. Second, the key scales for operational delivery in Poland are the national and the municipal levels. Interim levels at regional and county level are concerned with policy interpretation and administration. Strategic leadership is lacking at regional level, and decades of centralisation of decision making seems to have given municipalities too much autonomy. The multi-level governance scheme appears fragmented.

Strategic goals for the region were developed before the regulations governing the EU programmes were agreed upon. These regulations did not always allow for regional goals to be pursued. The EU provides a crucial source of funding, but it is important that this help make things possible, not block them. The region needs to develop the capacity to identify and pursue strategic regional goals, and to make these work with the available funding. At present it feels as if EU money is being "chased" and that this determines the activity undertaken. Rigid adherence to EU rules supplants any attempt at imaginative interpretation.

In future, greater articulation and clarity is needed to make planning responsibilities of municipal, county and regional levels more coherent and efficient. Enhancing the strategic role of regions by increasing their political legitimacy and their capacity to arbitrate should also be considered a priority. Regions should be given more power for spatial planning and adopt a more forward-looking perspective. The distribution of competences between regions, counties and municipalities requires further clarification, regarding in particular health and the labour market. The decentralisation process will be useful in this regard, but it is a slow transitional process. One of the aims of the National Spatial Development Policy and its Concept (see above), now debated for two years, is to strengthen co-operation between the entities engaged in development policy

implementation. This includes precisely the possibility for the central government to design an incentive programme to promote the establishment of voluntary associations.

Horizontal co-ordination (between instruments at the same scales) is also subject to fragmentation, which makes inter-municipal co-operation difficult. Although establishing municipal spatial plans is a legal requirement, only 20% of local governments have elaborated one. These local spatial plans focus on municipal borders (instead of on functional areas) and they rarely involve inter-municipal co-operation. In addition, there is no alignment between municipal spatial plans. As an example of inconsistency, investments in roads decided upon and launched by one municipality can be blocked by another. The difficulty of establishing an integrated transport system between urban areas and the slow development of housing within towns and cities may be a consequence of these governance weaknesses.

Inter-municipal co-operation is a bottom-up process that municipalities initiate without any formal administrative structure. Regions simply include it in their strategy and provide the necessary provisions. Willingness to co-operate to support business, joint investment and clustering is weak, possibly because of the area's historical lack of identity. Potential for inter-municipal co-operation is limited by:

- the absence of precedent for this type of approach (before it started in 1989)
- a lack of a legal and financial platform to engage municipalities in common tasks (the central government has a key role to play here)
- a lack of incentives from the central and regional governments for inter-municipal co-operation.

Polish society is in transition from a centrally planned state to democratic structures with devolved responsibilities. This leaves scope to build territorial identity and develop the capacity for people to deal with this social structure. Several types of co-operative initiatives exist, but the efficient networking needed is hampered by a historical mistrust of top-down initiatives and government regulations.

The impact of the LEADER projects has been limited by this lack of willingness to co-operate. Clearly, the priority of local actors in charge of organising the LAGs is to create a networking community, a willingness to co-operate and sense of participation. The lack of co-operation between the LAGs is also a challenge: as for the municipalities, many of the LAGs have little contact with each other. Meanwhile, Finland has established a National LEADER Strategy and sound experience in rural local development, with a high level of networking and a culture of participation with the private sector. This could be a source of inspiration for Poland.

One of the positive outcomes of the LAGs is that they encourage communities to celebrate their "roots" and their "human identity". This cultivates a sense of self-confidence and is beginning to allow people to take the initiative and develop, for example, craft-based activities linked to identity. This partnership structure can play a crucial role in capacity building and developing leadership skills. The LAGs' success seems to rely on charismatic individual leadership. Cultivating such leadership skills and people's ability to assume responsibility is crucial.

Such improvements will take time. Appropriate indicators must be used to assess these partnerships (for co-operation, cohesion, identity, mutual respect, horizontal and vertical integration), not the standard limited indicators measuring outcomes, such as number of jobs created and revenue raised.

Conclusions and looking ahead

The essence of creating the Central Zone is to bring together towns at a radius of about 30 minutes to take advantage of their joint potential. However, discussions about the Central Zone proposal for a rural-urban partnership are in the early stages. The need for a rural-urban alliance is acknowledged, but the form, function and scope of this collaboration has yet to be defined. The Central Zone region is an excellent example of an area that can greatly benefit from exposure to other models of rural-urban initiatives in the EU and OECD. Neither a strong sense of leadership – essential in such a fragmented area – nor a strong external influence that could act as an alternative catalyst is yet in place. To realise the Central Zone vision, a convergence of top-down and bottom-up processes is needed. Additionally, the proposal for stronger collaboration has to be balanced against the importance of not intervening with the autonomy of the municipalities or overlapping with other levels of authority.

Considering whether the Central Zone is the correct geography, given the current functional systems in West Pomerania, is an essential first step in addressing the area's economic and service provision challenges. Indeed, a reflection of this nature is essential to address the economic and service provision challenges in the region. There is also a need to understand and work together on the functional linkages – including the rural-urban partnerships in areas like tourism and transport – which are likely to include relationships with places outside the Central Zone.

Developing capacity and self-identity through collaboration is a potential result of this proposed partnership. The social and cultural context shapes how partnerships and specifically rural-urban partnerships develop and no precedence or tradition of a community and voluntary sector or partnership working exists. Developing this capacity will take time. The initial collaboration should be understood as a necessary prerequisite for building capacity and the ability to "speak with one voice" to negotiate for resources and strengthen cultural, regional and inter-municipal ties. This would be a key step in the right direction to bring it in sync with other rural-urban partnerships in OECD countries.

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Chapter 15

Portugal: Castelo Branco – Beira Interior Sul

Summary and conclusions

Main findings. (1) Co-operation between urban and rural areas in Beira Interior Sul occurs at different levels, which include single municipalities, given their large size. Municipalities in the region have a territorial size that makes them an excellent reference for action in the field of rural-urban relations. The main issues for co-operation are joint provision of services and economic development. (2) The observed rural-urban partnerships are mainly informal. However, urban-rural relations are governed through formal structures. (3) Participatory public administration allows local stakeholders to steer the decision-making process, through a system of rural parishes. These are in turn part of a public decision-making body, the local Chamber. (4) Local action groups (LAGs) represent a useful example of partnership, thanks to their strategic, integrated and participatory approach. However, certain gaps remain, such as little real capacity for action in the public sphere, low budgets, high dependence on external resources and partial legitimacy. (5) Existing territorial co-operation is fragmented, and it may lack an overall strategic vision.

Territory under analysis. There are two main geographies of action for territorial partnerships. On the one hand are those acting at the municipal level; on the other, a smaller number of more powerful partnerships acting at the level of the TL3 sub-region of Beira Interior Sul. The region of Beira Interior Sul is a disadvantaged rural area of the Mediterranean region. The socio-economic decline suffered by these regions makes it difficult to preserve a social and economic structure to keep population stable. Many lack a core capable of staunching urban migration. Castelo Branco is a small city, but the largest in the region, with more than 30 000 inhabitants. Due to its size, it has been able to retain in the region much of the rural population that would otherwise have emigrated to the national economic centres, or abroad.

Historical background of the partnership. Relations between urban and rural areas are not as intense as in other observed territorial contexts. The primary economic relationships occur mainly in rural areas, with links to industries and markets in Castelo Branco. Basic services, such as primary education and healthcare, are generally distributed throughout the territory, but due to increasingly tight financial constraints at different government levels, restructuring of the units providing services may occur. The organisation of service provision apparently uses few new technologies, perhaps because of the low rate of computer literacy and an ageing population.

Partnership activities. While not formalised, rural-urban co-operation does exist in the provision of services for municipalities. However, this not evident in upper administrative levels, which may result in inefficiencies. Several ad hoc partnerships encourage trade ties and social and institutional links between rural and urban areas (production chains, social or cultural associations, etc.), but their scope of action and range are limited. Finally, LAGs have promoted rural-urban relations from a more integrated, strategic and multi-dimensional approach, but they lack the resources and powers needed to become an institutionalised referent in this respect.

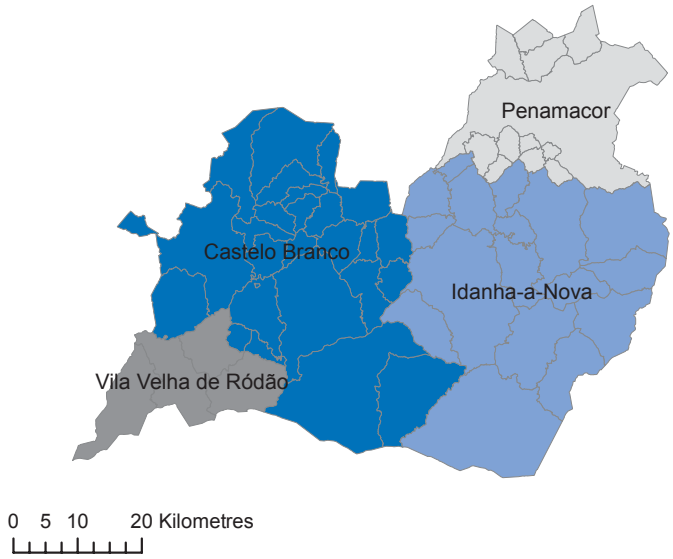
Future challenges. Among the most important challenges the region faces is the need, in co-ordination with different sub-national governments, to scale up and co-ordinate the scope of action of local partnerships. This would help position the region in national and international markets and to ensure sustainable provision of services. Another challenge is to encourage the most relevant actors in the region to participate. The ADRACES LAG may represent a reference in this respect. Finally, territorial co-operation should be enhanced by improving mechanisms for citizen participation in collaborative structures and local government decision making.

Regional overview

Territory under analysis

The territory under analysis is the TL3 sub-region of Beira Interior Sul, one of the sub-regions that compose the TL2 Centro Region, part of the Central Region of Portugal (Figure 15.1). Due to the large area and the socio-economic heterogeneity of the Central Region, this paper analyses the sub-region of Beira Interior Sul. This is a transitional region between the Cordilheira Central (Central Range) to the north and the Peneplanície Alentejana (Alenteixo plains) to the south, with a landscape of hills and low mountains. Its distance from the main economic and demographic centres on the coast has forced population out of the region's most remote areas to Castelo Branco, other parts of the country or abroad.

Figure 15.1. **The region of Beira Interior Sul**



Note: This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

Differentiation between rural and urban areas in the region is marked. Castelo Branco is the sole urban centre, with over 32 000 inhabitants, while the whole municipality (about 25 parishes or *freguesias*) has 52 000, 73% of the region's population. Municipalities are large, especially in rural areas. In the case of Castelo Branco, the municipality is divided into 25 sub-areas (*freguesias*). Only three of these can be considered urban, and the remaining 22 are rural areas that belong to the municipality of

Castelo Branco. Of the other three municipalities in the region, no single *freguesia* can be considered urban.

Box 15.1. Defining urban and rural in Beira Interior Sul

The OECD typology classifies Beira Interior Sul as a predominantly rural remote region, with 60% of rural population (Brezzi et al., 2011). There are, however, other attempts at territorial classification ranked by degree of urbanisation. For instance, a new typology is based on the analysis of land occupation through an orthogonal grid of 1km x 1km. This typology distinguishes between: "densely populated areas" (where at least 50% of the population live in an area with a density of above 1 500 inhabitants/km^2, and with a total population of at least 50 000); "median populated areas", which do not belong to a densely populated area and where less than 50% of the population lives in areas of high density and less than 50% of the population lives in cells that are considered rural and; "less populated areas" where more than 50% of the population lives in cells classified as rural. According to this typology, only parts of the town of Castelo Branco can be considered "densely populated areas", while the remaining territory falls into the category of "less populated areas" (www.urbanaudit.org).

Rural-urban migration patterns are quite visible in the region. During the second half of the 20th century, rural areas registered intense and continued outmigration flows to the regional and/or national economic centres. This was due in part to the subsequent industrialisation and mechanisation of agriculture, and the abandonment of marginal and less productive agricultural land. This change resulted in a strong contraction of rural labour markets, and the inability of many of the remote and mountainous rural areas to maintain their population. Depopulation is an extremely difficult challenge for the management and viability of the smaller and more remote parishes.

Some urban-rural migration occurs, mainly among young people of urban background looking for alternative ways of living in the countryside, such as organic farming, ecotourism, quality products, etc. (Brul, 2012). A consolidated process of counter-urbanisation or suburbanisation is not evident, despite initial urban-rural flows. This is indicated by the fact that Castelo Branco, the only "urban" centre of the region, is in a stage of urban expansion. Population decline has affected the delivery of public services. Most disadvantaged rural areas have yet to identify economic and territorial functions to help reverse this situation.

Socio-economic profile

The region covers 3 748 km² and has a total population of 71 644 inhabitants (AICEP Portugal Global, 2013). The region accounts for 4.05% of the total land of the country, but only for 0.68% of its total population. Portugal's average population density is 114.3 inhabitants per km^2, while Beira Interior Sul falls well below that average, with 19.1 inhabitants per km^2 (CCDRC, 2012; Table 15.1). In terms of GDP per capita, the figures are also below the country average, but slightly above the average value of the Central Region (Table 15.2). Beira Interior Sul is distinguished by the ageing of its population. The elderly dependency rate (the ratio between people over 65 years old and those between 14 and 64) is much higher than both the regional and the national values (Table 15.2).

Table 15.1. **Basic statistics of Beira Interior Sul**

Variable	Beira Interior Sul
Area (km²)	3 738.25
Total population, 2001	78 123
Total population, 2011	75 026
Population growth (%), 2001-2010	-4.00
Density 2013 (inhabitants/km²)	19.1
Population 0-14 (%)	11.51
Population 15-64 (%)	59.66
Population +64 (%)	28.83
Number of births per 1 000 inhabitants	534
Number of deaths per 1 000 inhabitants	1 207
Net migration, 2001-2011	- 2 702
Households with two or fewer persons (%)	68.75

Note: All data are from 2011 unless indicated otherwise.

Source: INE, www.ine.pt (accessed on 3 March 2013).

Beira Interior Sul is a markedly rural region, whose main economic activities involve agriculture, livestock and forestry, primarily carried out by large farms. An area of great natural and environmental value, it also has important historical and cultural assets (CCDRC, 2012). The economy of the region is characterised by a strong primary sector, in line with its wealth of natural and agricultural resources. Nearly 20% of the gross value added generated in the region comes from primary activities, compared with only 6% for Portugal (CCDRC, 2012). The region is the second most important area of organic farming in Portugal, in terms of area and farmers. Cheese, olive oil and mutton are among its signature products.

Table 15.2. **Beira Interior Sul socio-economic indicators**

	Beira Interior Sul (TL3)	Central Region (TL2)	Portugal	OECD
GDP per capita (USD, PPP), 2010	19 585	18 023	21 776	30 156
Unemployment rate (%), 2011		10.3[a]	12.7[a]	7.9
Elderly dependency rate (%), 2011	48.1	35.2	28.5	22.1
Enrolment in tertiary education (as % of population), 2011		3.7	3.7	5.1
Patent application per million inhabitants, 2010	13.7	14.8	13.0	137.7

Note: a) Data from 2011.

Source: OECD (2013), *OECD Regional Statistics* (database), http://dx.doi.org/10.1787/region-data-en.

The socio-economic changes associated with rural decline, and the reinforcement of urban areas as centres of service provision, introduced a new type of urban-rural relationship. In the old model, the urban-rural relationship was characterised by rural areas serving traditional functions (e.g. food and primary material provision). This is no longer the case. Primary activities remain central to the multi-functional configuration of rural areas, but they are increasingly embedded in higher value-added processes where quality is more important than quantity, and in which environmental conservation values and traditional culture are increasingly apparent.

The bulk of gross value added and employment comes from the services sector. This indicates the importance of Castelo Branco as a service and administration centre for the region. The secondary sector, primary production and the small industrial cluster of Castelo Branco, is under-represented by comparison with the Portuguese average. Food industry, textiles and manufacture of machinery and equipment stand out as the main industrial sectors. The industrial sector of Beira Interior Sul is composed of traditional industries in mature stages of the production cycle.

Urban and rural areas in Beira Interior Sul have different realities in terms of economic competitiveness and service provision. The "urban" parishes of Castelo Branco are the focal point for most of the higher order services (e.g. treasury, courts, notary, specialised counselling, wholesale and retail trade, healthcare, government delegations, etc.). These urban areas have experienced a steady increase in population since the 1960s, due to the wider local labour markets and the development of a regional service market around the city.

The more rural municipalities and parishes account for only 25% of the total population. They are characterised not only by low population densities but relatively low accessibility, and demographic and economic decline. In fact, during a period of population increase for most Portuguese regions, the last inter-census period (2001-2011), Beira Interior Sul's population declined by 3 000 inhabitants and that of the rural parishes fell by 15% of their 2001 population on average. Of the more urban municipalities, only Castelo Branco managed to maintain its population (+0.7%), while the population of the remaining three municipalities fell in the period: Idanha-a-Nova by 16.7%, Penamacor by 14.7% and Vila Velha de Ródâo by 14.1%. The key consequence is a pronounced ageing process.

Strengths and challenges of the region

The eastern section of the region is part of the Raya Ibérica (Iberian Strip), the oldest European border, which divides Spain and Portugal. Improvements in transport infrastructure are evident on both sides of the border, but they seem to have missed the territory of Raya. As a result, travel between Spain and Portugal via this route is challenging. Despite the advantages derived from the location of a higher technology facility in Castelo Branco (Polytechnical Institute), links and synergies are lacking between the strategy of the entity and the needs of the local labour market, the needs of innovation and research of local businesses, and the strategy of the region. Links between the Polytechnical Institute and the firms in rural areas are also weak. There also some environmental challenges that stem from deforestation, soil erosion, lack of upkeep of forests by owners and forest fires.

Maintaining minimum standards for services of general interest (SGI), as well as acceptable conditions of access, is one of the fundamental challenges facing Beira Interior Sul. One response to the economic crisis is to reduce the number of public services in less populated areas, to save public resources and reduce debt. Consequently, some fundamental services, like education, are relocated to urban areas when the number of children falls beneath a particular threshold. Better healthcare is provided in urban areas, where there are hospitals and medical specialists. Almost every rural parish has a health centre with medical care, but it usually operates only once or twice a week. Other basic services like water provision and ICT are assured in almost all the territory.

Urban residents have better access to most services by public transport. Accessibility is lower in rural areas and residents typically travel to the nearest urban area to satisfy their needs. Because public transport between urban and rural areas is less than optimum, rural residents are more dependent on private means of transport to access public services. Key challenges in the provision of services in the region are: *i)* lack of long-term strategic planning and focus on short-term urgencies; *ii)* the views of municipalities prevail over regional priorities; *iii)* sectorial priorities dominate over an integrated approach; *iv)* administrative and bureaucratic obstacles; and *v)* lack of evaluation of results.

The main regional development strategy is similar to a growth pole approach. The concentration of public investment is in Castelo Branco, to create spill-over effects to rural neighbouring areas and an overall sustainable development process. As a result, rural areas are outside the regional development action. Ironically, financial constraints do not seem to be a core constraint. In the last 25 years, the region has received aid through the EU Structural Funds. The fact that despite this aid, the region has progressively declined in competitiveness signals further difficulties. For example, the erosion of the agricultural sector, in the absence of any development of other sectors, is not promising. Primary activities have not evolved towards new economic drivers able to create employment and keep the population stable. One solution is to create rural service hubs (such as Castelo Branco) that can offer jobs for rural residents, allowing them to stay in rural areas.

Partnership purpose and characteristics

Portugal is a fairly centralised state. Regions have little authority beyond a few functions devolved by the state, and have been described as "administrative structures of co-ordination for the de-concentration of national policies" (OECD, 2008: 24). The policy-making process relies heavily on central government knowledge, as indicated by the fact that resources and competences remain vested mostly in the central level. Nonetheless, Portugal is one of the few OECD countries with a ministry specifically in charge of regional development, the Ministry for Regional Development. At the local level, Portugal typically has influential municipalities (mayors usually enjoy strong political clout) and no elected intermediate regional level. The municipalities are relatively large both in territory (with an average area of 300 km^2) and population (34 000 inhabitants on average).

The municipality is the main actor for local policies and the provision of public goods and services. Municipalities in the region are of a territorial size that makes them an excellent reference for action in the field of rural-urban relations. A municipality typically includes a mix of urban and rural areas. Virtually any organisation with local scope is thus likely to have a role in the relationship between rural and urban areas. The municipal budget is the main instrument through which policies are implemented at the local level. This budget is made up mainly of monetary transfers from the central government (both directly and through other organisms) and the EU funds. This leaves each municipality free to carry out its functions. The only intermediate level of government similar to a regional government is the *distrito* (district).

Formally, municipalities are divided into *freguesias* (parishes), with on average 12-13 parishes per municipality. The *freguesias* have few competences and are financially dependent on the municipal government. Nonetheless, in practical terms, they represent the voice of urban and rural citizens to the Municipal Chamber. They are governed by a local assembly and an elected executive council and hold powers in managing certain basic infrastructure. The parishes are largely concerned with education, health and the local environment. Municipalities and parishes have a long-standing historical tradition and, despite some attempts at creating regional levels of government for the last 200 years, they remain the symbol of local government's social and political autonomy (Tavares and Camões, 2010).

The powers of local governments are limited, but a trend has emerged towards assuming external powers attributed to higher realms of government, due to citizens' growing demand for services and equipment. Although local governments' arrogation of these powers may allow for an increase in citizens' quality of life and the resolution of potential conflicts, it has often turned local governments into economic operators in competition with private companies in areas outside basic services (e.g. sport or leisure, among others). This contributes to the multiplication of overlapping structures and services (employment services, businesses incubators, day care services, etc.), and increasing fiscal problems.

Box 15.2. **Developing rural areas in Portugal: The policy dilemma**

The 2008 *OECD Territorial Review of Portugal* identified a policy dilemma for rural areas. The report noted that in contrast with urbanised or urbanising areas, the majority of Portuguese rural areas were struggling with the decline of traditional agriculture, accelerated ageing of the population, an exodus of younger workers, a persistent fall in population density, and the erosion of the critical mass required to maintain public services and cultivate alternative economic activities. However, policies for rural areas conveyed contradictory signals. For example, it is difficult to combine two opposing policy goals, such as keeping farmers afloat in rural areas (the aim of the Ministry for Agriculture) and rationalising the offer of public services (the priority of other ministries, such as the Ministry for Education and the Ministry for Transport). The multi-dimensional nature of rural development challenges was also evident in the overlap between the Mainland Rural Development Programme, managed by the Ministry for Agriculture, and the various programmes to promote both competitiveness and cohesion in low-density areas, such as PROVERE (Programme for the Economic Valorisation of Endogenous Resources) and the Multi-purpose and Proximity Services Network, two programmes undertaken by the Ministry for Environment, Spatial Planning and Regional Development.

The Mainland Rural Development Programme covers the 2007-2013 period and focuses on low-density areas. It makes a distinction between three categories of zones: defavourised zones, Natura 2000 zones and rural zones (with some obvious overlapping between the three categories: for example, 94% of "rural zones" are located in "defavourised zones"). It proposes four lines of action: "promoting competitiveness; promoting knowledge and skill development; promoting sustainable rural development; and promoting the economic dynamisation of the rural world". The PROVERE programme objective is to offer selective support for bottom-up initiatives that valorise specific local resources, mainly in low-density areas (although the area does not have to be continuous, considering the weakness of the institutional fabric). The Multipurpose and Proximity Services Network is an initiative that aims to introduce an innovative method to provide basic public services in low-density, less favoured areas.

Source: OECD (2008), *OECD Territorial Reviews: Portugal 2008*, OECD Publishing, http://dx.doi.org/10.1787/9789264049529-en.

The region has a differentiated history of partnership working in the region that makes the rural-urban elements more or less visible, depending on the partnership structure. A mix of partnerships was observed in the case-study region: associations, LAGs and cross-border relations, as well as inter municipal collaboration. Most programmes promoting local and regional development (LEADER, PRODER, INTERREG, URBAN, etc.) require by definition that the implementation body be a public private partnership (PPP). This section provides an overview of each structure. Table 15.3 presents the main associations affecting relationships between rural and urban areas in Beira Interior Sul.

Table 15.3. **Main partnerships active in Beira Interior Sul**

	Partners and scope of action	Role in rural-urban relationships
ADRACES LAG	Partners: A group of public and private actors, associated in a partnership, that identifies a common strategy and innovative actions for the development of a rural area. The partners include the main actors of the region's economic and social life, and its different sectors and organisations.	To scale up rural-urban partnership and introduce a strategic, integrated approach to rural-urban action.
Terras da Beira Baixa	Partners: Câmara Municipal de Castelo Branco, Apabi, BeiraGado, Agri, Meltagus Scope of action: Reinforcement and promotion of agricultural supply and agri-food products produced in Beira Baixa; maintaining the competitiveness of farms in the municipality; exploring technical solutions in agri-business and markets; support for improving the quality, development and promotion of several products.	R&D, assists rural population and traditional economic activity in rural areas (primary sector), promotes links with the Polytechnical Institute.
Comunidade Intermunicipal Beira Interior Sul	Partners: Local governments of Beira Interior Sul. Scope of action: Promotes and channels projects for the municipalities of Beira Interior Sul (including public and private stakeholders). Manages projects funded by the National Strategic Reference Framework (QREN), which allow municipalities to access and finance community projects of social, economic and cultural benefit to the territory. *Comunidades Intermunicipais* manage 32% of EU Structural Funds in the Regional Operational Programme, fundamental for policy action.	Transnational co-operation, integration of rural and urban objectives into a common development strategy, obtaining funding to carry out strategic goals.
Câmaras Municipais de Castelo Branco Idanha-a-Nova, Penamacor and Vila Velha de Rodâo	Partners: Publicly elected representatives. Local stakeholders are informally queried on an occasional basis to incorporate their views and demands into the action of the council, but no formal mechanism exists to include them. *Câmaras Municipales* manage EU Structural Funds (fundamental for policy action) Scope of action. Castelo Branco municipal government.	Integrated management of municipal services and strategies covering both rural and urban areas, management of land-use planning.
Juntas de Freguesia	Partners: Public representatives that represent the *freguesia* in the municipal assembly (*Junta de freguesia)*. Meetings are frequently open so that the local population can offer input on budget allocation, conflict resolution, etc. Scope of action: Decentralised government in different municipalities. Public organisms that purport to be the voice of citizens and defend the interests and needs of their territory against the municipal government (House).	Defending demands of rural citizens in municipal (usually urban) decision-making bodies.

Table 15.3. **Main partnerships active in Beira Interior Sul** (*cont.*)

	Partners and scope of action	Role in rural-urban relationships
Association of Farming Producers	Partners: Farmers. Scope of action: Providing help in grant applications, bureaucratic work, to cover the lack of capacity of the traditional agricultural extension in the area. A second-level association.	R&D, assists rural population and traditional economic activity in rural areas (primary sector).
ADXTUR – Aldeias de Xisto	Partners: The Xisto Villages Network is a project for sustainable development led by the ADXTUR-Agency for Tourism Development of the Xisto Villages, in partnership with 21 municipalities of the Central Region and about 100 private operators. This association was funded by PROVERE programme (2007-2013). Scope of action: The ADXTUR brings together public and private stakeholders of the region, through a shared management of a brand, the joint promotion of a territory, economic development through the provision of tourist services and, ultimately, the preservation of the culture and heritage of rural Beira.	Implements a rural-based sustainable development strategy; consolidates new functions for rural areas that are demanded by urban residents (rural tourism, ethnology).
ITI Tejo Internacional	Partners: PRODER-based LAG located in Castelo Branco, composed of the *Associação Nacional de Conservação da Natureza* (QUERCUS), *Associação de Produtores Florestais da Beira Interior* (AFLOBEI), *Autoridade Florestal Nacional* (AFN), *Direcção Regional de Agricultura e Pescas do Centro* (DRAPC), *Instituto de Conservação da Natureza e Biodiversidade* (ICNB), and the municipalities of Castelo Branco, Idanha-a-Nova and Vila Velha de Ródão. Scope of action: In the Tejo Internacional area, raises the level of environmental performance of farms and forestry; promotes the dissemination of information to increase adherence to measures of agricultural and forest environment; provides technical support and advice to the beneficiaries of the existing support.	R&D, assists rural population and traditional economic activity in rural areas (primary sector), promotes links with the Polytechnical Institute.

Intermunicipal partnerships

Managing rural-urban relationships can be approached through the inter-municipal association in the region. The inter-municipal association *Comunidade Intermunicipal Beira Interior Sul* manages and promotes projects for the municipalities of Beira Interior Sul (including public and private stakeholders). It manages projects funded by the National Strategic Reference Framework (QREN), which allows municipalities to access and finance community projects of social, economic and cultural benefit to territory. The 2008 reform codified the areas where the inter-municipal association can be active to "ensure the co-ordination of operations between the municipalities and the central government services" and to entrust to the executive committees the "preparation of inter-municipal territorial planning plans". This provides a sense of the aims behind the reform and the extension of their reach to territorial planning issues and rural-urban issues. The legal basis for inter-municipal co-operation is derived from the 1976 Constitution reforms in 2003 and 2008 helped shape the framework for collaboration (Box 15.3).

Box 15.3. **Inter-municipal collaborations in Portugal**

In Portugal, Law 10/2003 and 11/2003 allowed for the creation of Grandes Áreas Metropolitanas (GAM, or great metropolitan areas); Comunidades Urbanas (urban communities); and Comunidades Intermunicipais (intermunicipal communities): The GAMs were multi-purpose government associations formed by at least 9 municipalities and 350 000 inhabitants, the Comunidades Urbanas by a minimum of 3 municipalities and 150 000 inhabitants. The Comunidades Intermunicipais could have been either multi-purpose or single-purpose, but there were limitations. Specifically, local governments could freely associate with more than one single-purpose inter-municipal association. These were much easier to establish, and involved, on average, a smaller number of local governments. Such municipal associations were the most common inter-governmental co-operation vehicle used by local communities to pool their efforts to deliver specific services. Urban Community could not be a member of a municipal association. However in 2008, the landscape for intermunicipal collaboration changed. Revoking the 2003 laws, the 2008 law sought to harmonise local public investment at the NUTS 3 level by offering different kinds of incentives for collaboration. For example, the ability to collect local property taxes or to receive EU "global grants" as managing authorities of certain programmes. Thus, in practice, all municipalities are engaged in some form of inter-municipal association at the NUTS 3 (TL3) level.

Source: Tavares, A. and P. Camões (2010), "Understanding Intergovernment Cooperation: An Empirical Study of Collaboration among Portuguese Municipalities" *NEAPP* Série IV (6).

The inter-municipal association is largely underused and is not viewed as a key entity. The hesitancy to embrace the inter-municipal association is related more to the influence of the municipalities and a genuine reluctance to add another institution to an already crowded field. The shortcomings of inter-municipal institutions are strongly related to the fact that in Portugal, a majority of the decisions (and actions) that have strategic and transverse effects are taken by the central administration (Breda-Vázquez and Oliveira, 2008). The lack of support, in 1998, for the proposal to create eight regions showed a clear hesitance to introduce regional government (Tavares and Camões, 2010: 14). According to Tavares et al, Portuguese voters regarded this proposal as an attempt by local-level officials to promote their careers by becoming the leaders of a regional political class.

Associations

The regions have numerous associations. Often, these organisations are created to obtain EU funds, and they tend to work in silos and cover many aspects of socio-economic and cultural life. Discussions with representatives from different associations revealed a low focus on facilitating cross-association co-operation. Stakeholders pointed out that most of the time, they have to meet separately with several municipal actors, which reduces the chance of obtaining a comprehensive view of any issue. Because out-migration is resulting in a shrinking and ageing labour market, the need for a more horizontal approach is recognised. How best to achieve this is not yet clear. Representatives of the Association of Agro-Industrial Producers suggested that a lack of funds could spur greater collaboration and noted the lack of a political counterpart at the regional level able to coherently address the problems their members face.

The associations have different levels of horizontal collaboration. For example, the Agricultural Association seems to be much more siloed, while the health associations evidence some level of horizontal collaborations. These organisations seem to work well

also in co-operation with the local authority. For instance, one of the institutions set up a partnership with the municipality of Castelo Branco and the local office of the Ministry of Solidarity and Social Security to provide food to the poor. The institution would cook the food, the municipality would provide transport, and the ministry would finance the whole project. Efforts around tourism seem to carry greater weight for the development of the region, and tourism associations co-operate among themselves and with the local administration. Co-operation is made simpler when the members are the municipalities themselves. For example, the association ADX-TUR (*Aldeias de Xisto*) is a management entity representing municipalities and the private companies operating in the tourism sector. Its many partner projects include historical trails, nature trails, cycling, accommodation, food and local crafts. This initiative seemed to have real potential, with well-developed collaborative networks. The main challenge is financial capacity and strategies to link rural and urban areas.

Local action group: The case of ADRACES

ADRACES, *Associação para o Desenvolvimento da Raia Centro Sul* (Association for Development of Raia Centro Sul) is the EU LEADER Local Action Group. It was created in 1992 to evaluate and implement new forms of assistance to local communities by pursuing policies to boost rural areas. It is a private non-profit association that promotes, in an integrated and sustainable way, the economic, cultural and social development for the rural areas of the Beira Interior Sul. It is one of the most active associations in a range of areas, such as support services for local entrepreneurs, debate organisation, socio-cultural and recreational groups and promoting tourism. Designed as a mechanism of action for rural development, it has been able to act and mobilise stakeholders not just for rural areas but for the territory as a whole.

ADRACES initiatives involve different components of the local system. For example, multiple mechanisms include fees and contributions of partners, orientation and advice to public and private decision makers, external resources through public calls for tender to manage local development initiatives, promotion of networks and distribution of quality brands, etc. As an LAG, it has national and international links through the national and European network of other local action groups allowing for participation in different activities; access to resources; and the capacity to lobby at higher levels (e.g. international bodies, ministries and regional departments) for resources.

The partnership considers development a dynamic and integrated process based on several assumptions: *i)* innovation, citizenship and empowerment, expressed in projects and activities that enhance the participation of citizens and/or institutions; *ii)* defining and implementing co-operation networks based on principles of solidarity and social equity, to reinforce ties and partnerships at the regional, national and international level; *iii)* defining and carrying out action that reinforces social and economic stability and the viability of the territory. These three goals in ADRACES' mission reveal a true public-private partnership designed to implement sustainable development strategies for the region, and acquire resources for enforcement.

Cross-border co-operation

Strong relationships with counterparts in Spain are maintained, primarily in the field of rural resource-based tourism. The aim is to exploit the advantages offered by common landscape and natural and cultural heritage. EU cross-border co-operation programmes (LEADER, INTERREG, etc.) have been a catalyst for co-operative relations on both

sides of the border. LAGs on both sides have been the main promoters of transnational co-operation projects. As far back as 1991, LAG ADRACES (Portugal) and LAG Valencia de Alcántara (Spain) created a first international co-operation protocol, under the framework of LEADER I. One result of the transnational co-operation by LAGs is the international association La Raya (see Box 15.4). One major challenge for cross-border co-operation is the very different scale of governance in each country. In the Spanish systems, forms of governance and strategies are generally spoken of as being more favourable than Portuguese ones.

Partnership strengths and weaknesses

The climate for rural-urban collaboration is quite complex. On its face, the mix of urban and rural areas within the municipalities ensures that even implicitly, local governments are tackling urban and rural challenges. The region's tradition of collaboration and pursuing common goals is a strong foundation for action, as indicated by the laws. The understanding of the challenges in the region and a municipal association appears to be a good foundation for thinking about rural-urban issues in a collaborative manner. In practice, the state of play is much more complex.

Box 15.4. **Raya-A Raia cross-border partnership between Extremadura and Beira Interior Sul**

The Raya-A Raia is a cross-border partnership that brings together the provinces of Extremadura in Spain and Beira Interior Sul. It includes most parishes (*comarcas* and *freguesias*) on the border between these two provinces. Created in 1998, La Raya-A Raia's objective was trans-border co-operation to develop remote rural areas. The partnership focuses on mobilising local and sub-national governments to work on trans-border development projects and creating a common territorial identity between the two provinces. After years of informal co-operation among the LAGs in both countries, the LEADER I and LEADER II programmes allowed the groups to collaborate in a more organised manner.

The partnership organises events, fairs and other activities as part of a regional branding strategy to generate a common territorial identity between the provinces. For example, it has set up language courses in Portuguese and Spanish, and promotional activities in the area, and issued collaborative publications. The Junta de Extremadura awarded La Raya-A Raia the Gabinete de Initiativas Trasfronterizas (GIT) prize for transborder co-operation in 2003. Ongoing projects include "Ponterayan", which aims to consolidate co-operation structures by providing La Raya-A Raia with the infrastructure to operate and a qualified team to improve the efficiency of cross-border co-operation.

Members report that the partnership has created a solid relationship between Extremadura and Beira Interior Sul, which has attracted attention from both countries' governments as an area with potential for economic development. However, the Portuguese side is underrepresented. One of La Raya-A Raia's current priorities is to cultivate dialogue between local governments and development institutions on the Portuguese side to increase the country's representation in the partnership.

Source: La Raya-A Raia Association (n.d.), La Raya-A Raia official website, www.laraya-araia.org/index.php?id=7&zona=asociacion.

First, attachment to local identity makes it difficult to build regional identity. Second, while numerous examples of co-operative behaviour exist, in the form of "associations", these are narrow in scope and favour vertical collaboration over horizontal relationships.

For example, the service providers were independent, with few partnerships between similar providers. Associations tend to represent problems wider than the municipalities' competence, but too local for the central government. Further, the associations are created primarily to access EU programmes, which are seen as bureaucratic and daunting. Over time, partnership and institutions have also come to be seen in this light. In discussions with stakeholders, "partnership" was associated with the EU and bureaucracy. Meanwhile, other terms were used to describe the same concept, e.g. "collective union", but were viewed more positively. In fact, the stakeholders expressed a need for a "collective union" complaining of "competitiveness with little to no inter-linkages".

Third, overlap and duplication of offerings is rife in a number of areas across the different associations e.g. supporting small companies, providing web page support, training and IT support. The result is a fragmented system with multiple associations. Stakeholders have to join different associations to obtain information and pursue initiatives. The associations have thus done little to build bridges across sectors, which has inadvertently resulted in "institution fatigue". Nonetheless, there is some acknowledgement of the need for a more nuanced and strategic approach. As one stakeholder observed: "Previously, we all focused on our own patch, but we have started to realise that co-operation is essential", given the risk of losing funds because of duplication. Since many service providers offer the same services, the issue is not more associations of service providers, but rather greater co-ordination and more productive collaboration between those that exist.

Fourth, this reluctance to collaborate or to embrace another structure to encourage collaboration seems to be working against the inter-municipal association. A high level of mistrust is working against strengthening horizontal relationships. In most cases, it derives from an obligation to access something wanted or needed. Stakeholders noted that the areas are small, with particular profiles, and they have difficulties with collaboration. One participant commented: "We have 800 years of history, but not a lot of democracy". If an association suggests or asks for something, it is assumed to be politically motivated and in its self-interest. Further, competition between local identities makes cultivating a regional identity difficult. A structure that could help address rural-urban issues more coherently would be helpful.

Fifth, the strength of the municipalities and the lack of a strong regional level also plays a role. Governance is administered at a very local level, and government is highly centralised, but the layer in between is missing. Poor co-ordination across the different bodies and at the regional level was described as hampering development. The lack of an intermediate level of government is particularly problematic for rural areas. Several entities operate at this intermediate level: local branches of ministerial offices, the regional entity (Comissões de Coordenação e Desenvolvimento Regional – CCDR – that also have the role of Managing Authorities of Regional Operational Programmes of QREN) and the inter-municipal associations (*comunidades intermunicipais*). The lack of an administrative body at the regional level makes it difficult to deal with policies and local public goods that affect the whole territory. This gap cannot necessarily be filled by the association amongst municipalities. The gap could be filled either by a new administrative and political entity, or by real co-operation amongst municipalities in the region. However, the municipalities appear unwilling to assume leadership, and there are no incentives to co-operate.

Sixth, EU Structural Funds are the main source of funding for local and regional development in Portugal. The state has granted responsibility for administering EU

Structural Funds to municipalities, but municipalities cannot raise taxes. Municipal groupings that match the existing NUTS 3 are more likely to receive European Structural Funds. The aim is to allow the intermunicipal associations that match NUTS 3 (according to the 2008 law) to manage a global grant from Regional OP, in order to promote an integrated implementation of EU funds. In practice, this global grant is supported by a Territorial Development Plan that is developed by each municipal association. However, the focus on groupings that match the existing NUTS 3 could deter collaborations for other purposes, such as a group of municipalities brought together for functional reasons. The development of most economic activities is heavily dependent on external funding. Those funds tend to distort the incentives of producers, blocking any effort to make the production process more efficient and respond to the needs of consumers. Another source of problems is the way local councils are financed. They receive money from different sources: directly from the national government (e.g. Ministry of Agriculture), from the EU, and own resources.

Finally, some stakeholders interviewed suggested that challenges in rural areas in Portugal are not a matter of funds or service provision (the mayor of Castelo Branco reported that basic services are in place even in remote rural areas). In this view, EU Structural Funds have "poured into" Portugal for the last 25 years without solving the problems of lagging rural areas. This is attributed to in the progressive loss of the traditional orientation to agriculture and primary activities, which has not yet been resolved by new economic drivers able to create employment and retain population.

Conclusions and looking ahead

Beira Interior Sul is a remote rural region facing socio-economic decline and constraints for service provision. Partnerships are built on the cultural and anthropological specificities of the region. In this respect, co-operation for common interests is viewed favourably, but such efforts are dispersed across a number of policy areas and territorial scales. "Fragmentation" is the word that best defines co-operation in Beira Interior Sul, indicating a lack of a strategic vision that would permit co-operative work, and confirming the recorded evidence that there is little "genuine co-operation".

The absence of an intermediate level of government at the regional level is an obstacle to supra-municipal strategic action. Although municipalities are large, their distance from the central government is too great. This gap could be covered by two types of entities already operating in the study region. On the one hand, communities of municipalities, voluntary associations of local councils receiving part of the Structural Funds, and on the other, local action groups, which represent a model of open and participatory governance, may be the seed or instrument for implementing future regional strategies. The LAGs' current focus is more rural than urban, but this may not be too big a constraint in the region under analysis. In Beira Interior Sul, LAGs can become (and in some cases already are) the promoters of more rational and sustainable rural-urban interactions.

Some recommendations for consideration include:

1. Promoting a more balanced approach to the labour market area. The functional Castelo Branco region displays a clear geographic divide. While the municipality of Castelo Branco has been successful in attracting new business and service activities and benefiting from regeneration investment, other municipalities have not.

2. Taking steps to integrate the associations. There are too many associations and policy interventions from the national, regional and local level, and they seem to lack shared strategic goals, adequate co-ordination and coherence. The intermunicipal body may be able to help here and take advantage of the more critical situation to allow local actors to increase broad-based strategic partnerships, replacing the current horizontal and vertical fragmentation.
3. Learning from the LAG ADRACES. As long as the partnership is recognised by the main authorities and representatives of the region (mainly through participation in the partnership) it can represent a rural-urban forum with a wide scope of action. If a LAG remains legitimised by those involved, it may become more relevant to the implementation of the regional development strategy. The LAG model represented by ADRACES in Beira Interior Sul can certainly become a benchmark in urban-rural dialogue.
4. Local stakeholders will need to take the lead in terms of promoting long-term planning for SGI accessibility and provision in a comprehensive way, and to reduce the negative impact of the fiscal reforms at the national level.
5. It is crucial to position the region in domestic and international markets in relation to special interest tourism and quality products, taking advantage of improvements in communications infrastructure and the overall improvement of accessibility to the area.
6. Improving the channels through which society participates in local decision making. This applies mainly in the area of the City Council, to ensure that the real interests and needs that arise in every part of the territory are taken into consideration.
7. Strengthening supra-municipal collaborative action through a regional forum involving key stakeholders, and whose actions are somehow binding on the municipalities. In the absence of an intermediate level of government, this function could be played by such partnerships as ADRACES, which already have broad representation of stakeholders in the region and which has an integrated and strategic view of development. Logically, the strategy of relations between rural and urban areas should be singled out and promoted within this entity.

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Chapter 16

Spain: Extremadura

Summary and conclusions

Main findings. (1) Extremadura provides an interesting example of fragmentation within a large rural territory. The greater the distance between urban and rural areas, the weaker the working relationship. (2) Three partnerships provide scope for rural-urban collaborations: mancomunidades (joint communities of municipalities), local action groups (LAGs) and cross-border partnerships with Portugal. However, there is a lack of a shared strategy for the region in which mancomunidades, LAGs and municipalities have a say in policy decisions. (3) Extremadura's policy of "solidarity", ensuring that no territory, including remote rural areas, is left behind, fostered the reform, making mandatory joint communities (partnership between strong and weak municipalities). (4) The lack of vertical partnerships means that key strategic documents do not sufficiently drive economic development. (5) The university has the potential to feed its local knowledge and relationships with local partnerships into a vertical partnership to advance rural-urban economic development in the territory. (6) The binding nature of the joint communities appears to be discouraging the stronger municipalities from forming partnerships and engaging with the weaker ones, since they interpret this as being forced to subsidise services.

Territory under analysis. Extremadura is a large rural region with very low population density. Administratively, it is divided into 2 large provinces (Cáceres and Badajoz), 28 existing mancomunidades integrales and 387 municipalities. Mancomunidades are areas formally recognised by the region where municipalities provide public services jointly. They are inspired by a partition of the territory into *comarcas*, areas that share a similar cultural identity (*comarcas históricas*), natural geography (*comarcas naturales*) or specific functions (*comarcas funcionales*).

Historical background of the partnerships. Spain also focuses on inter-municipal co-operation and has an environment that encourages collaboration in different forms. Mancomunidades started as informal unions between municipalities. The large number of rural towns and weaknesses of local finances provide an incentive for municipalities to co-operate to improve the quality of services for their citizens. A considerable number of municipalities in Spain share a border with Portugal. A 2003 Treaty between the two countries specifically includes co-operation instruments and community research initiatives (research co-operation between the countries).

Partnership activities. The mancomunidades are groupings of municipalities that occupy a homogeneous territory and execute endogenous development actions. Local action groups often work with these joint associations. Their goal is to bring a bottom-up understanding of economic, social and environmental needs to the fore. The projects on cross-border co-operation are based on geographical proximity and have functional interdependences in several fields, such as tourism and environmental preservation. EU funding has provided an important incentive to overcome barriers and to work in partnership with Portuguese counterparts. Collaboration on tourism initiatives is strong, and the partnership also develops strategies to tackle forest fires and depopulation.

Future challenges. Moving forward, finding ways to construct effective vertical rural-urban partnerships to promote economic development of medium-sized cities and prevent rural out-migration should be considered. In addition, there is scope to develop more vertical type partnerships that can help with strategic issues such as financial and social co-ordination, and general strategies to improve the education and skill base of remote rural areas. Despite the number of functional relationships between urban and rural areas, there seems to be a divide within the territory between the larger cities (e.g. Cáceres, Badajoz) and the smaller rural areas. Cities are seen as poles of concentration that develop at the expense of peripheral areas. This notion is working against improving rural-urban relations. Municipalities with a more urban character – e.g. the 7 towns with more than 20 000 inhabitants – are not included in any mancomunidad. The exclusion of cities from co-operation instruments blocks the possibilities of any institutional dialogue between cities and rural areas. Finally, with the introduction of the mancomunidades, the regional government increased the number of services that had to be provided, but not the reassignment of functions for financial resources. This has created financial problems and duplication of services.

Regional overview

Territory under analysis

Extremadura is a rural region in Central Western Spain. It is one of Spain's 17 autonomous communities, which have considerable devolved powers, and it is the fifth-largest region in Spain (41 634 km^2). It borders Portugal on the west, Castilla La Mancha to the east, Castilla y León to the north and Andalucia to the south. Extremadura includes 2 provinces, Badajoz and Cáceres, 28 *comarcas* (counties), 28 *mancomunidades integrales* and 387 municipalities. *Comarcas* are clusters of neighbouring municipalities, equivalent to counties or districts, sharing common elements related to geography (natural counties), history or other specific functions. In Extremadura, *comarcas* are not legally recognised, while in other regions (e.g. Catalonia), they are separate legal entities. In a way, *comarcas* represent territories that can be thought of as functional areas, where the underlying functions may be culture, geography or specific activities.

Table 16.1. **Cities in Extremadura with more than 10 000 inhabitants**

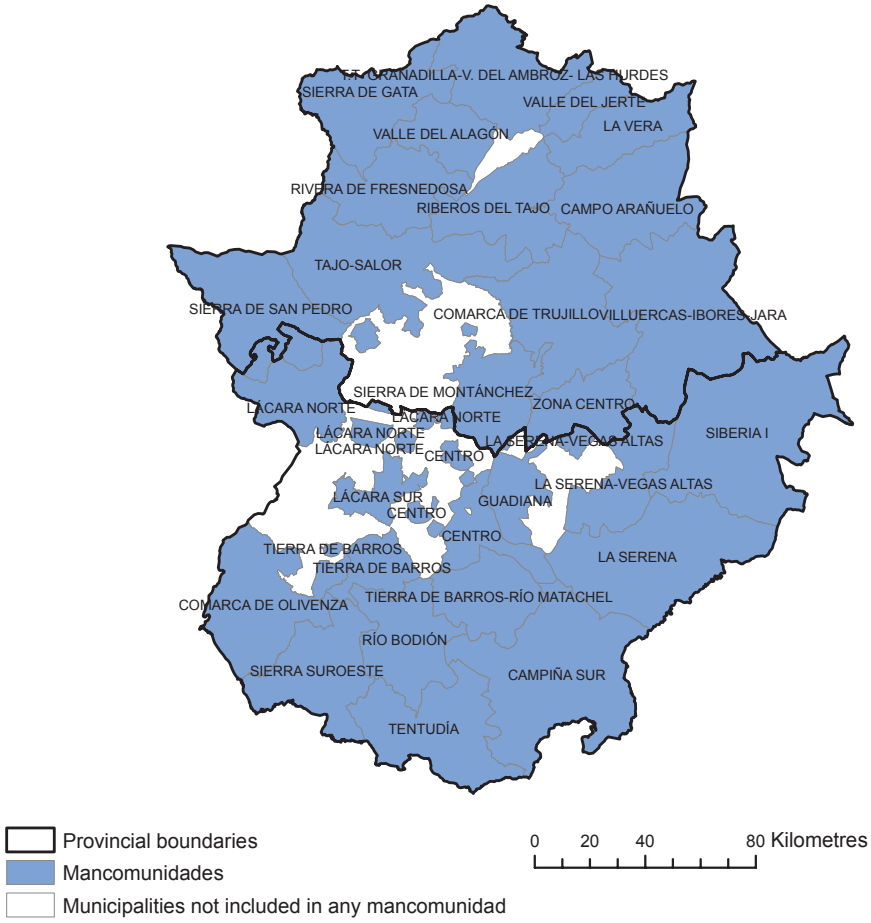
Rank	City	Population 2010
1	Badajoz	148 334
2	Cáceres	93 131
3	Mérida	56 395
4	Plasencia	41 148
5	Don Benito	35 791
6	Almendralejo	33 588
7	Villanueva de la Serena	25 838
8	Navalmoral de la Mata	17 228
9	Zafra	16 424
10	Montijo	16 236
11	Villafranca de los Barros	13 356
12	Coria	12 896
13	Olivenza	11 852
14	Miajadas	10 338
15	Jerez de los Caballeros	10 237
16	Trujillo	9 860

Source: Miranda, G., et al. (2011), "Climate change, employment and local development in Extremadura, Spain", *OECD Local Economic and Employment Development (LEED) Working Papers*, No. 2011/04, OECD Publishing, http://dx.doi.org/10.1787/5kgdpmh7zxzv-en.

Extremadura is classified by the OECD as a predominantly rural area. It has a population of little more than 1 million inhabitants, in an area of more than 40 000 km^2, with an average density of 27 inhabitants/km², much lower than the OECD average of 150 inhabitants/km². Towns and cities are well distributed across the entire territory. They

are small to medium in size (Table 16.1), with the four largest ranging in size from 40 000 to 150 000 inhabitants. Outside these, the majority of the regional population is organised around a large number of small towns and villages. Of the 387 municipalities in Extremadura, 90% have a population of fewer than 5 000 inhabitants. Extremadura has a rich reserve of biodiversity, with remarkable fauna and wildlife. It has four rivers, one National Park, two Natural Parks and large protected areas. The regional government has recently invested in the green economy to maximise these natural resources.

Figure 16.1. ***Mancomunidades integrales*** **and provincial boundaries (2012)**



Note: This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

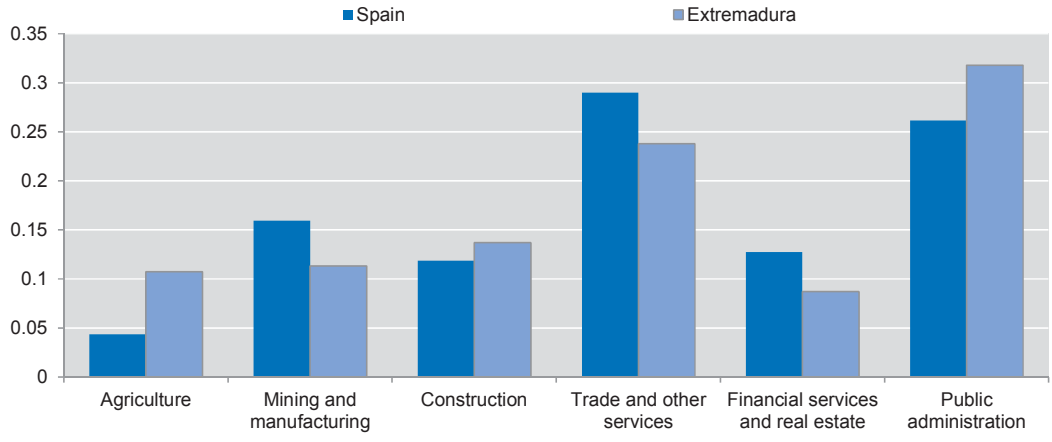
The territory under analysis is Extremadura, which consists of 2 provinces and the 28 existing *mancomunidades integrales*. The two provinces divide the region into a northern part (Cáceres) and a southern part (Badajoz), which each cover a particularly large area. *Mancomunidades* are areas where municipalities provide public services jointly that are formally recognised by the region. *Mancomunidades* are inspired by the partition of the territory into *comarcas*, which in turn are areas that share a similar cultural identity (*comarcas históricas*), natural geography (*comarcas naturales*) or specific functions (*comarcas funcionales*). The exact concept of *comarca* in Extremadura is only loosely defined, since the designation does not have any recognition in administrative or legal terms. In some respects, *comarcas* represent a functional partition

of the territory, to which, however, no administrative powers are allocated. Municipalities with a more urban character – e.g. the 7 towns with more than 20 000 inhabitants – are not included in any *mancomunidad*. These municipalities are represented in white in Figure 16.1. Another functional partition of the territory is represented by labour market areas. By using the algorithm applied by the Italian Institute of Statistics, Boix and Galletto (2008) identified Spanish local labour systems (LLSs), labour market areas defined by the self-containment of commuting flows. On average, the LLSs are smaller than *mancomunidades integrales* and have no administrative power. In addition, they are not considered as an area for service provision. The figure shows that, on average, the LLSs are smaller than *mancomunidades*, and that service areas cover a space that is generally larger than the maximum self-containment of commuting flows.

Socio-economic profile

Extremadura's economy is dominated by the agricultural sector and agro-industry. This runs counter to the general trend in Spain, where the importance of the agricultural sector has declined. From 1976 to 2008, the percentage of the Spanish population working in agriculture decreased from 21% to 4.3%. Extremadura presents a different profile. On the whole, the region displays relatively high shares of employment in agriculture (11%), construction (13%) and public administration (32%) (Figure 16.2). The region is traditionally a rural economy, although in recent decades, its economic structure has diversified and moved towards services. The manufacturing sector never really developed, and the construction industry drove the development of the region, especially during the last three decades of massive investments in infrastructure, with assistance from the European cohesion policy.

Figure 16.2. **Shares of employment by macro-sector in Spain and Extremadura (2008)**



Source: OECD (2013), *OECD Regional Statistics* (database), http://dx.doi.org/10.1787/region-data-en.

Extremadura is the poorest of the 17 regions in Spain. Although income levels have grown in the last 20 years, the region remains in the bottom income group in the EU. European funding has been very important for the region, including European common policies, the Common Agriculture Policy (CAP) and the Cohesion Policy. Extremadura, like Spain in general, has embraced the EU rural development programme; Spain's resources for rural development (Pillar II of the CAP) are among the largest for member

countries, accounting for 10.2% of the total public expenses dedicated to rural development under the CAP in Europe for the period 2007-2013.

Table 16.2. **Extremadura socio-economic indicators**

	Extremadura	Spain	OECD
GDP per capita (USD, PPP), 2010	18 730	26 948	30 156
Unemployment rate (%)[a], 2011	25.1	21.6	7.9
Elderly dependency rate (%), 2011	28.3	25.5	22.1
Patent applications per million inhabitants, 2010	3.4	38.4	137.7

Source: OECD (2013), *OECD Regional Statistics* (database), http://dx.doi.org/10.1787/region-data-en.

Extremadura has long suffered from population decline. This was particularly serious in the 1960s and 1980s, when the population fell by 25%. While the region subsequently experienced a slight recovery, this trend did not affect its rural areas, where the population continued to decline while the urban population increased. The population in rural areas is ageing, with a high rate of dependency between the inactive and active labour force (Table 16.2). The unemployment rate for the region was 23.1% in 2010. The number of young people in the region continues to decline, reflecting the reduction in job opportunities in the region.

Extremadura historically suffered from its inaccessibility. In the last few decades, this became the priority for the region, and was addressed through heavy investment in transport infrastructure (especially roads). An improved road system with two highways now covers the region from east to west, linking the Iberian Peninsula's two capitals, Madrid and Lisbon. These are complemented by regional highways that connect major population centres.

Strengths and challenges of the region

The issues perceived as priorities for slowing down the decline of population and socio-economic conditions in peripheral areas are the provision of public services and the creation of jobs. This commitment was possible in the last decade, at a time of relative national economic prosperity. Public services, from education to healthcare, have been provided on an almost equivalent basis throughout the regional territory. Due to a reduction in the public budget, however, the region has been asked to rationalise service provision, to find a sustainable balance between the level of proximity of services to every citizen (spatial decentralisation of the provision of services), their quality and financial sustainability.

The current debate on how to reorganise public services is driven by a need to centralise some services, on the basis of a functional criterion. For services where the competence is exclusively owned by the region (e.g. healthcare, education), one idea is to draw isochrone areas of a certain access to a given service (e.g. 20-30 minutes of driving distance to reach a public healthcare facility).

Partnership purposes and characteristics

Spain adopted a decentralised approach to government. It has three key layers:

1. State (*estado*): national government responsible for foreign affairs, national economic policy, national budgets, environmental laws, employment policy and security.

2. Autonomous communities (*Comunidades Autónomas*) or regions: there are 17 autonomous regions or territorial governments, of which Extremadura is one. This layer of government exerts considerable power, and is responsible for health and social services.
3. Local authorities – provinces (*provincias*) and municipalities (*municipios*): the provinces assist and complement municipalities, focusing on services such as hospitals and provincial roads. Extremadura has two, Cáceres and Badajoz. Municipalities, of which Extremadura has 383, are local councils, with responsibility for local services such as water and waste collection.

A considerable number of municipalities in Spain share a border with Portugal or France. A trans-national (trans-border) level of governance constitutes a "fifth" layer. Cross-border co-operation refers to co-operation among the regional or local authorities of neighbouring regions. The cross-border relationship of interest to this study is the co-operation between Portugal and Spain. Their border is the longest land frontier between 2 countries in the European Union, measuring over 1 200 kilometres. This relationship is evidenced by the 2003 Treaty between Spain and Portugal, which specifically cites the co-operation instruments and community research initiatives (research co-operation between the two countries) that are in place. Co-operation between regions and municipalities had already started in the early 1990s through consecutive Innovation and Environment Regions of Europe Sharing Solutions (INTERREG) programmes.

Table 16.3. **Collaborative local governance in Spain**

Structure	Nature	Focus
Mancomunidades	Voluntary horizontal association between local authorities	Service delivery and area promotion
Consorcios	Voluntary association between local authorities and others	Single function or inter-regional
Comarcas	Transfer of powers from above and below	Delivery of services and area promotion
Areas metropolitanas	Metropolitan strategic association	Barcelona, Valencia: planning and economic development
Legal obligation	Metropolitan strategic association	Barcelona, Madrid: planning/infrastructure: selected services

The competences of the state and autonomous communities are defined by the constitution (Article 149). Municipalities may be large (e.g. over 500 000 inhabitants) or small (e.g. under 5 000 inhabitants), which is often a problem because the interests of the large municipalities are often difficult to reconcile with the smaller ones (Sastre and Caballero, 2009). The result of this imbalance, however, is an increased focus on inter-municipal co-operation and an environment that encourages collaborations in different forms. In fact, state law allows municipalities to voluntarily come together to provide certain services. The result is a large number of hybrid local bodies and associations that reflect community efforts. Given the small size of municipalities, these bodies (e.g. *mancomunidades*, metropolitan areas and *comarcas*) play a key role in the functioning of the government (see Table 16.3).

Observed partnerships

In this system of multiple horizontal partnerships, only three will be analysed for their potential to foster better rural-urban relations in Extremadura: *mancomunidades* (joint

communities of municipalities), local action groups (LAGs) and cross-border partnerships with Portugal. Table 16.3 provides an overview of the different collaborative structures. Some, like the *comarcas,* which are much smaller than provinces and at least in the case of Extremadura, identify homogeneous territories in geographic and cultural terms, will be mentioned only in passing.

Mancomunidades

The *mancomunidades* are voluntarily established entities created to carry out joint projects and provide common services. They are regulated by law but existed long before, as informal unions between municipalities. They are believed to date back to medieval times. *Mancomunidades Integrales* (joint communities) are groupings of municipalities that occupy a homogeneous territory, execute endogenous development actions and in some cases have a local action group to support this development (OECD, 2012). Extremadura has 28 joint communities. The municipalities in the group determine when they will co-operate and what package of services the association will deliver. Municipalities join for reasons of efficiency to deliver services that are their responsibility, such as water and sanitation. This partnership arrangement helps the municipalities alleviate the problem of scarcity and resource dependence. The large number of rural towns and the instability of local finances provide an incentive for municipalities to co-operate to improve the quality of services. In the body, each partner municipality has equal status, and membership of the *mancomunidades* is made up of political representatives of the participating municipalities. Box 16.1 provides an overview of different associations.

Garrido (2007) refers to *mancomunidades* as the "purest" form of inter-municipal co-operation, because they are established by mutual agreement of the municipalities, without the involvement of other authorities or private parties. This voluntary collaborative instrument became obligatory in 2007 under regional Law n. 45/2007, which mandated the grouping of communities in rural areas into associations until 2012, and determined the minimum amount of services each association should supply. This zoning of the *mancomunidades* was the basis for the creation of the 12 areas of rural development that would implement the National Sustainable Development Law. This law is the basis of rural policy at the regional level and is considered an important incentive for the creation of partnerships (OECD 2012; OECD 2009).

The goal was cost saving through economies of scale, but open debate persists as to whether the associations of municipalities should remain mandatory or voluntary. On one hand, the compulsory character of the integrated associations put more emphasis on solidarity between municipalities, ensuring that no municipality is left out of an association and preventing the impulse to pick winners. Some rigidity exists, as municipalities must participate in the association even without any viable interest in doing so. On the other hand, voluntary associations are more sectoral; municipalities can decide whether or not, and for which services, they want to co-operate. This leaves more freedom to choose, but the likelihood of underperforming municipalities being left out increases without an appropriate incentive scheme in place.

Box 16.1. **Examples of joint communities in Extremadura**

Sierra de Gata Joint Community of Municipalities. The Joint Community of Sierra de Gata includes the 20 municipalities of the Sierra de Gata district, which make up the ADISGATA Local Action Group. The aim is to improve socio-cultural and economic conditions in the municipalities and encourage development. They provide a range of services, e.g. general administration, family programmes, social inclusion, career advice, waste collection and town planning office.

Rivera de Fresnedosa Joint Community of Municipalities. The Rivera de Fresnedosa Joint Community of Municipalities was created in 1993. The municipalities that make up the ADESVAL Local Action Group form part of two different joint communities, depending on their location within the territory: Rivera de Fresnedosa Joint Community (south of the Valle del Alagón), and the Valle del Alagón Joint Community. Initially, the joint community only provided two services: collection of solid urban waste and a pool of machinery. It currently has a large number of services and programmes and a total of 70 workers.

Valle del Alagón Joint Community of Municipalities. The Valle del Alagón Joint Community was formed in 1975. It began with a few municipalities and a focus on water supply and grew into a group of 14 municipalities and 2 pedanías or dependent villages, and a wider portfolio of services.

Tajo-Salor Joint Community of Municipalities. The Tajo-Salor Joint Community consists of the 15 municipalities located north and west of the city of Cáceres that make up the TAGUS Local Action Group. These 15 towns co-ordinate their services (e.g. welfare work, training and employment projects, town planning, etc.). They also hold events designed to improve the quality of life of the groups most in need, e.g. Day of the Elderly, Women's Day, etc. Finally, they collaborate with other bodies and institutions on projects that contribute towards social and economic development: the Equal Projects (Alba-Plata, Eloísa and E-Tradis), the Tajo International Nature Reserve, the Local Extremadura Co-operation Fund for Development, Universidad de Extremadura, etc.

Sierra de San Pedro Joint Community of Municipalities. As in the case of ADESVAL, the municipalities that make up the Association for the Development of the Sierra de San Pedro-Los Baldíos are part of two different integral joint communities: the Sierra de San Pedro Joint Community (the municipalities of the province of Cáceres plus San Vicente de Alcántara) and the Lácara-Los Baldíos Integral Joint Community (the municipalities of Badajoz province). The local communities were set up in 1996, to provide jointly works, services or activities with a specific purpose.

Source: OECD (2012) Rurban background report: Extremadura, unpublished.

Local action groups

Another important level of co-operation is represented by LAGs, which are linked to and in some cases underpin the *mancomunidades integrales* (Nieto et al., 2012). The LEADER programme is part of the EU's Rural Development Regulation. While the bulk of the finance still goes to agriculture support through the CAP, the rural development component was developed in the early 1990s. The intention was to shift from sectoral support (agriculture) to territorial support (rural areas). The LEADER programmes were run by the LAGs, or local partnerships. The intention was that LAGs emphasise a bottom-up understanding of economic, social and environmental needs. In Spain, for the fourth and most recent LEADER programme, the autonomous communities wrote the Rural Development Plan in consultation with relevant actors.

Table 16.4. **Local action groups linked to joint associations in Extremadura**

Leader group	Surface area (km²)	No. municipalities	Population (2009)	Density (inhab/km²)
ADESVAL	1 753.63	26	39 836	22.72
ADISGATA	1 257.94	20	24 150	19.20
S. San Pedro-los Baldíos	2 547.76	12	26 018	10.21
Tagus	2 176.04	15	28 706	13.19
Extremadura	41 635	385	1 102, 10	26.48
Spain	505 938	8 116	46 745 807	92.39
Total study area	7 735.37	73	118 710	15.35

Source: Spanish National Institute of Statistics.

Spain commits more funding than any other EU country to the LEADER programme. It has also developed its own version of LEADER, called PRODER. It had a similar local, bottom-up rural development approach to LEADER. In the most recent round of programmes, the LAGs managed both LEADER and PRODER initiatives, demonstrating some horizontal integration. The partnerships are made up of public representatives and civic and non-governmental organisations. The private sector has had a low participation rate, although it has provided almost half the finance for the programmes, with the rest coming from the EU and the public sector.

The LEADER programme and the LAGs are seen as important means of including civil society. The LAGs have a strong spirit of inclusivity and develop capacity to participate in partnerships based on common territorial objectives. EU funding was an important incentive in the formation of these partnerships. Their ability to take on this task, however, is constrained by an overly localised perspective and limited resources. Aspirations for economic development were limited. The focus was mainly on tourism, farm diversification, farmers' markets and initiatives to create jobs. The LAGs have been important in developing these alternative forms of employment, but value-added is low. Employment is recognised as a key factor to address depopulation and retain young people, but no strategy and limited funds appeared to be in place to address this issue.

Cross-border partnerships with Portugal

Cross-border co-operation between Extremadura, Alentejo and Central Portugal started at the beginning of the 1990s. It was institutionalised as a result of the Protocols of Cross Border Co-operation signed by the Extremadura regional government (*Junta de Extremadura*) and the *Comissão de Coordenação e Desenvolvimento Regional* (CCDR). Starting practically from zero, a productive first stage of co-operation began. After an initial phase, the first projects and results began to take shape more recently under the aegis of the successive INTERREG and POCTEP (Operative Program of Spanish-Portuguese Cross-Border Co-operation) programmes, funded by the EU's European Regional Development Fund (ERDF). Both countries have common interests and needs, and cross-border co-operation has been successful despite their differing approaches to territorial planning and different governance structures (see Box 16.2).

The INTERREG programme, funded by the ERDF and in operation since early 1990s, offered a first chance for co-operation. It targets border regions of the EU, aiming to promote harmonious development in regions that are often lagging in development, high in unemployment, weak in infrastructure and facing continuing depopulation. Spain and Portugal's INTERREG programme is the largest in the EU and shares many similarities with the programme in general. Initially, some focus was on economic

activity, although the main focus has been on heritage, cultural and environmental activities, successive phases of cross-border co-operation have focused on less tangible actions.

Box 16.2. **Some challenges to developing cross-border initiatives with Portugal**

It can be difficult to develop co-operation across borders given historical differences. Informants suggest that the steps taken so far have improved communication channels through infrastructure and better knowledge of their neighbours, but more can be done. The next round of initiatives will seek to tackle territorial support for social, economic and regional integration. Some challenges include:

1. Language: the Portuguese are more inclined to speak Spanish, but Extremadura has made a major effort to promote the teaching of Portuguese. Extremadura accounts for 70% of the Spanish students of Portuguese, and new laws in the region guarantee Portuguese as the second foreign language at elementary and high schools.
2. Autonomy to act: Extremadura has more autonomy to generate projects and make decisions. In Portugal, decisions are taken in Lisbon. Also important is the difference in sub-national and local partners. Portugal has no equivalent decentralised local partners or associations of municipalities. The regional level still depends on central ministries, such as the Ministry of Economy or Ministry of the Environment. In Portugal, decisions are not taken by local partners, but at the national level, constraining co-operation.
3. Physical reality: the long border of more than 400 kilometres is challenging for developing economic development initiatives.
4. Highly fragmented territory.
5. The border separated two empires with a history of conflict with one another. As a result, it is one of the most rigid in Europe.
6. Physical separation by rivers (e.g. Tajo, Guadiana, Sever) is a strong impediment to a natural flow of goods and services. There are some long stretches without bridges to cross to the other country but, on the other hand, these have become the centre of important projects that continue to be developed: Tagus International or the Great Lake of Alqueva on the Guadiana River.

Despite these difficulties, cross-border tourism initiatives have had some success. For example, taking advantage of the fact that the border between Spain and Portugal is one of the oldest and most permanent borders in Europe, a tourist route had been developed that will be recognised by UNESCO as a World Heritage route. Another being considered is the border in Cáceres with Argentesio and Beira. These municipalities have resources that could improve the economic prospects of the whole territory, and the area is being considered for an international natural park. Since the border area attracts an elderly population, there is great potential for co-operation on the delivery of elderly services. Established in 1997, OTALEX is another example of successful co-operation between Extremadura and neighbouring Portuguese regions. It created a territorial and environmental observatory for the three regions, for greater territorial balance.

Partnership strengths and weaknesses

Extremadura offers an interesting example of fragmentation within a large rural territory. Rural areas seem to work better with small towns; the greater the distance between urban and rural areas, the weaker the working relationship. The larger cities (e.g. Cáceres, Badajoz) are distinctly divided from smaller rural areas, which appear to view urban areas (larger rural cities) as competitors rather than as partners. Cities are seen

as poles of concentration developing at the expense of peripheral areas. Partnerships with larger centres are weak, as each area revolves around its "capital", or municipality, for services, ordinances, etc. Rural-urban collaboration in this case was not common, as partnerships tend to include either clusters of large cities or clusters of small cities in a predominantly rural space.

Potential exists for greater rural-urban collaboration in Extremadura. Rural-urban integration would be good for economic development, but no strategies or mechanisms are in place to advance these relationships. The much improved infrastructure allows for greater travel between urban and rural areas, and urban areas are a key provider of jobs for residents of rural areas. However, rural-urban partnerships have not emerged, probably because urban areas have few incentives to develop closer links with rural areas. Most of Extremadura is remote and rural. The LAGs create capacity in rural areas, but the streaming of funding keeps urban and rural areas apart. However, the next round of LEADER funding, after 2013, is expected to allow for greater urban-rural links. Clearly, funding is an incentive to develop partnerships.

A lack of vertical partnerships has meant that key strategic documents do not drive economic development as much as they should. The Law of Sustainable Rural Development (Law 45/2007) states that planning and execution of the Programme for Sustainable Rural Development should be a multi-level process. The Rural Action Plan, for which the autonomous community is responsible, is a participatory process that includes the provincial councils and associations and the LAGs. Lack of a strong vertical partnership means that the Rural Action Plan's strategic vision does not reach the LAGs, and the insights of the bottom-up LAGs do not reach the regional government of the autonomous community. Stronger vertical partnerships with the autonomous region are necessary to advance urban rural-partnerships.

The reform making *mancomunidades* mandatory was inspired by Extremadura's policy of "solidarity" to ensure that no territory, including remote areas, is left behind. Remote rural areas run the risk, if this reform is not made compulsory, that other municipalities will not partner with them, forcing them to give up some of the facilities that have recently retained population in every municipality. Decentralisation of services at the level of *mancomunidades* is likely to have substantially contributed to avoiding depopulation in some of the remoter municipalities. In 2012, Extremadura was the only region in Spain in which no municipality disappeared as a result of declining population.

The binding nature of *mancomunidades integrales* appears to be discouraging the stronger municipalities from forming partnerships with the weaker ones, since they interpret it as being forced to subsidise services for them. Informants stressed that there is resistance to these compulsory organisms, especially as they come with additional costs, because the region introduced them from the top without support from the strongest municipalities (mainly the more populated ones). Further, while it increased the number of services required to be provided, it was not followed by a reassignment of functions both from higher and lower administrative levels. This has led to financial problems and duplication of services.

The university has some potential to use local knowledge, and its relationships with local partnerships, into a vertical partnership to advance rural-urban economic development in the territory. The university is strongly integrated at the regional level with the LAG partnerships, and partners with Portuguese universities. The region exports raw materials, such as olive oil, cork and pork, and there is considerable scope to invest in

research and development. With strong vertical partnerships, the economies within the region could generate skilled employment around these industries.

There is a lack of a shared strategy for the region in which *mancomunidades*, the LAGs and municipalities would all have a say in policy decisions. The governance structures could be more effective to ensure that all layers of government are engaged in regional and rural development strategies for the region. A higher co-ordination among levels of government is necessary to foster urban-rural partnerships. The LAGs and the cross-border partnerships have considerable potential to explore the natural resources of Extremadura as a means of generating green sector employment. Extremadura has the highest level of entrepreneurship in Spain, which is a typical feature of regions specialised in agriculture. There is potential for the local partnerships to exploit this resource and improve the infrastructural support around entrepreneur activities.

EU funding has provided an important incentive to overcome barriers and to develop partnerships with Portuguese colleagues. Activities are organised collaboratively between the local authorities and public bodies each side of the border. Communication with Portuguese actors has improved, thanks to the well-developed infrastructure. Collaboration on tourism initiatives is strong, and the partnership is also developing strategies to tackle forest fires and depopulation. Citizens now travel across the border for work. Partnerships between the universities have also developed. The University of Extremadura and several Portuguese universities signed an agreement to develop a campus of excellence, Hidranatura. Partnerships seem to work best on projects that are politically and technically coherent.

Conclusions and looking ahead

Territorial co-operation in Extremadura has been shaped by a series of public policy incentives. These include incentives from the EU (e.g. LEADER programme), the national level (e.g. PRODER programme) and regional level (e.g. compulsory *mancomunidades*). Unfortunately, these incentives, while fostering co-operation among rural and peripheral areas, may have exacerbated urban-rural conflict. All the policies mentioned explicitly exclude cities from co-operation mechanisms. In the case of LEADER and PRODER, the reason is clear, as the programmes were conceived of exclusively for rural areas. However, the same is true for the *mancomunidades*, which excluded Extremadura's four main cities. This may have blocked institutional dialogue between cities and rural areas. Despite the number of functional relationships between urban and rural areas, in terms of labour market and consumption, for example, no dialogue between institutions is apparent.

The LAGs and the *mancomunidades* demonstrate embedded skills and abilities to work in bottom-up partnership structures. The *mancomunidades* partnerships have shown they can examine what municipalities need and decide how partnerships can allow for effective service delivery. The region's excellent infrastructure links it to the outside and connects urban and rural areas. This should facilitate the development of urban-rural partnerships. Financial and social co-ordination, which is sorely needed, could be developed through the consortia. The horizontal partnerships that exist focus on local service provision and diversifying economic activities. A vertical partnership can help with strategic issues, such as financial and social co-ordination, and strategies to improve the education and skill base of remote rural areas.

Some recommendations for consideration include:

1. In addition to compulsory *mancomunidades*, another solution would be to divide the territory into functional areas, which in Extremadura's case could be the *comarcas*. This solution would require two actions. The first is a detailed analysis of the territory, to adjust the boundaries of the *comarcas* on the basis of the functions (not only services) that link different territories. The second would be a real attribution of competences to this spatial level from both municipalities and the region. This way, the *comarcas* would be able to play a real territorial government role that is close enough to citizens (especially rural dwellers in the more peripheral areas), and offers higher economies of scale that make the provision of services more sustainable in financial terms.
2. A national strategy, based on the principle of solidarity, could be implemented alongside partnership structures to address depopulation and declining employment.
3. *Mancomunidades* have scope to adopt more flexible arrangements, including targeting selective functional areas rather than focusing on all administrative municipalities in the region. The current need to further reduce the public expenditure for service provision puts pressure on the smaller areas, which are less viable units for service provision.
4. The municipalities and the autonomous region are far apart at present. Developing consortia in Extremadura and building on good practices from Extremadura and the rest of Spain may be a way of developing urban-rural partnerships for regional economic development. A consortium is a vertical partnership of public organisations from different levels of government (national, regional and local). The national government, autonomous communities, provincial administration and municipalities may enter a consortium, but *mancomunidades* can also be members. The challenge is to combine balanced development with the need to rationalise resources and centralise functions.

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Chapter 17

United States: Lexington metropolitan region – Lexington, Kentucky

Summary and conclusions

Main findings. (1) The territory centred on Lexington is an integrated and coherent region for rural-urban partnerships. Its smallest possible boundary is that identified by the Lexington Metropolitan Statistical Area (MSA). (2) The Thoroughbred industry is seen as a defining feature of the region, and efforts to preserve agricultural land have been a major objective for Lexington/Fayette, the largest entity. The resulting strict controls on urban expansion have unintentionally helped more rural counties develop. (3) The nature of the local tax system stimulates competition among local authorities for economic development, and this adds to existing rivalries among counties, making co-operation and partnerships more difficult. (4) Non-governmental partnerships, on the other hand, succeeded in creating a co-operation system focused on specific projects, such as the Bluegrass Alliance, to benefit the entire region, thereby overcoming the challenges of local government competition.

Territory under analysis. There is no agreed-upon definition of the geography of the region, although there is a strong underlying sense in the local population that there is some territory centred on Lexington that forms a coherent region. Notably, the region is known globally as the "Thoroughbred Capital of the World". It is also variously referred to as: the Inner Bluegrass, Central Kentucky or the Lexington MSA. Beyond these definitions, counties are added to, or subtracted from, the region by different agencies and organisations, depending on their specific purpose or interest. This contributes to the confusion about how the region is defined. Nevertheless, there is a clear sense that Lexington is the main entity, and other local governments condition their behaviour on how Lexington acts. Regions are not a basic unit for organising public policy in the United States, where there is limited local interest in forming meaningful regional partnerships. Because local governments are highly dependent on own-source tax revenue, competition for new economic activity is strong.

Historical background of the partnership. Historically, Lexington was by far the dominant economic centre, but more recently, economic activity has spread into outlying counties. The recent spread of economic activity is significant. In the United States, local governments rely to a large degree on own-source revenue generated from property taxes, business taxes and payroll taxes. Payroll taxes are an increasing share of local government revenue in Kentucky, and increased revenue mainly depends upon the county increasing local employment. This, of course, makes competition for new firms by counties more intense.

Partnership activities. To attract firms, counties provide incentives and engage in aggressive marketing efforts. In the Lexington region, the process is complicated by an increasing co-dependency among the member counties. First, the local labour market spreads across the region, so workers commute across all six counties, although the majority of flows are into Lexington/Fayette. This means that employment benefits are shared. Second, restrictive land-use policies in Fayette County contribute to its attractiveness, but have encouraged large-scale land-use investments, such as factories and middle-income subdivisions, to locate in adjoining counties. Thus, to some extent, rural growth has come at Lexington's expense, but this reflects the land-use choices Lexington has made. Third, as counties have increasingly tended to specialise in their development strategies and function, the value of a co-ordinated approach to economic development has increased, but the local government imperative of relying on own source tax revenues makes co-operation a challenge.

Future challenges. The autonomy of counties and the perceived benefits of capturing all the tax revenue lead to independent action and even intense competition in attracting new development. Complicating the process is the growing recognition by local governments that new residential development by itself can be detrimental for the local government budget, because residential property taxes for low- to moderate-cost housing typically generate less revenue than the cost of providing services for the families that occupy the housing. With increased commuting flows, especially by private automobile, the pressure to co-ordinate road networks has increased. To a large extent, this happens at the state level, which removes the need for inter-county co-ordination, but county roads also play a role in commuting flows. In addition, new development in one county has spill-over consequences for other counties, especially if the development is on, or near, a county border. In particular, because of increasingly strong commuting flows from Jessamine County into Fayette County, these two counties have formed a specific transport planning co-ordination body that has been granted support from the federal and state transport agencies.

Regional overview

Territory under analysis

The territory under analysis is the Lexington Metropolitan Statistical Area (MSA), or the functional region of Lexington, a six-county region located in the centre of the state of Kentucky. Kentucky has 120 counties, 35 of which are classified as urban and the remaining 85 as rural, based on the Department of Agriculture's urban-rural continuum codes produced by its Economic Research Service (ERS). The MSA is the 106th largest of the 362 MSAs in the United States, with a population of 472 099 in 2010. The MSA consists of six contiguous counties centred on Lexington – Bourbon, Clark, Fayette, Jessamine, Scott and Woodford (see Box 17.1 for a definition of an MSA). Notably, the city of Lexington and Fayette County merged their governments in 1974 to create the Lexington-Fayette Urban County Government (LFUCG). Technically, the surviving unit was the county, but the surviving form of government largely resembles that of a city, with a mayor as its head. The city of Lexington is the 63rd largest city in the United States, and the 2nd largest city in Kentucky, with a population in 2011 of 301 569.

The Lexington MSA is a functional region because in the United States, MSAs are defined on the basis of commuting patterns. For Lexington, the boundaries of the MSA roughly correspond to several other geographies, each of which give a clear regional identity. Notably, the MSA boundaries roughly contain the majority of the major Thoroughbred breeding farms in the state. These farms provide the region with global recognition as the "Thoroughbred Capital of the World", and although these farms account for a relatively small share of local GDP and employment, they are by far the major source of agricultural sales for the MSA. The MSA also roughly corresponds to the "Central" or "Inner" Bluegrass region, which has distinct geological and ecological characteristics. In particular, the Inner Bluegrass is widely held to provide an ideal location for raising Thoroughbred horses, and its geology is significantly different from the surrounding larger Bluegrass region. Because of its size, Lexington also serves as a major hub for media, retail and public services for surrounding counties, particularly the five adjacent ones. However, for these functions, the reach of Lexington extends well beyond the MSA, but the connections are stronger in counties with greater proximity.

Table 17.1. **Characteristics of the Lexington Metropolitan Statistical Area**

	Population 2010	Population 2000	Population growth	Area (km²)	Density population/km²	Per cent rural	Largest city and population
Lexington MSA	472 099	408 836	15%	3 827	123	16%	
Bourbon County	19 985	19 360	3%	754	27	45%	Paris - 8 553
Clark County	35 613	33 144	7%	658	54	33%	Winchester - 18 368
Fayette County	295 803	260 512	14%	736	402	4%	
Jessamine County	48 586	39 041	24%	448	108	30%	Nicholasville - 28 015
Scott County	47 173	33 061	43%	736	64	43%	Georgetown - 29 098
Woodford County	24 939	23 208	7%	495	50	41%	Versailles - 8 568

Socio-economic profile

Of the six counties, Fayette County is by far the largest in terms of population and the most urbanised. However, it has experienced a lower percentage rate of growth than others, notably Scott and Jessamine counties. Other than Fayette County, only Jessamine County has a population density in excess of 100 inhabitants/km², and it is the smallest county in terms of area and the second fastest- growing. While the MSA as a whole has a population density in excess of 100 inhabitants/km², the majority of the population is in relatively densely settled communities, especially in Fayette County, where there are strict growth controls. Each county, other than Fayette, has at least one separately incorporated city. These range in size from places with a few hundred people to Georgetown and Nicholasville, which each have close to 30 000 people. Table 17.1 provides population and area data for the six counties in the MSA. The cities listed in Table 17.1 are both the seat of government for their county and have their own independent city administration.

The most recent Bureau of Economic Analysis (BEA) estimate of nominal GDP for the MSA is for 2010 at USD 23.3 billion, which is the 90th highest for all MSAs and reflects 5.7% growth since 2007, with the majority of the growth taking place between 2009 and 2010, as the effects of the recession dissipated. This puts the Lexington MSA in the highest quintile of growth for the nation. The sectors making the largest contributions to growth for the interval were information and financial services, and government. However, in terms of economic specialisation, the MSA is relatively more dependent on manufacturing (particularly automobiles and parts), agriculture (Thoroughbred horses) and transport services than the average MSA. However, all these sectors were adversely affected by the recession.

Box 17.1. **Metropolitan statistical areas (MSAs)**

MSAs are defined by the federal Office of Management and Budget (OMB) for use by federal agencies in developing and collecting statistics on a regional basis. An MSA is an aggregation of counties that is determined by commuting pattern data collected in the decennial Census. This means that an MSA is both a functional region and a local labour market, since MSA boundaries change as commuting patterns change. Boundaries were last changed in 2009. While the OMB is careful to state that MSAs are to be used for collecting statistics, the definition of an MSA has effectively become the definition of an urban region in the United States, and all counties outside an MSA are effectively considered rural. This definition completely ignores the fact that there are cities and towns in non-metro counties and there are large amounts of open land in MSAs.

Every MSA has one or more core counties with a population of at least 50 000. In the case of multiple counties, they must be contiguous. These are called the central counties of the MSA. Additional outlying counties are added to the MSA if there is sufficient commuting flow to justify constructing a larger local labour market. Typically, total commuting into and out of the specific outlying county has to account for 25% of the local labour force in that county. For example, if an outlying county had a local labour force of 40 000 and 6 000 of these workers commuted to the central county, while 4 000 workers commuted from the core to the outlying county, the county would become part of the MSA.

In 2011, the Lexington MSA had an average per capita personal income of USD 37 763, which placed it in the 158th position for all MSAs and at 91% of the national average. Average per capita income for the Lexington MSA has grown at a slower rate than the national average since 2001, at 3.6% vs. 3.8%, and the level has

declined from 98% of the national average. Over the same period, the composition of personal income for both the MSA and the nation altered, with a slight decrease in the share from net earnings and slight increase in transfer income. In 2011, total employment stood at 317 704, which reflected a 1.3% decline from 2007. The unemployment rates for the MSA fell to 6.1% at the end of 2012, from 6.9% a year earlier, and from a recent peak of 9.3% in early 2010. Average wage and salary per job was USD 46 903 in 2011, a 6.4% increase since 2007. Almost 40% of the population of Fayette County have at least a bachelor's degree, which is the tenth-highest share for US cities. For the entire MSA, about 30% of the population has at least a bachelor's degree.

Partnerships and rural-urban areas

The rural-urban space

Before turning to the partnerships in the Lexington MSA, factors that impact rural-urban relationships should be discussed, as the different collaborations found in the MSA flow from these interactions. Three different levels of rurality prevail in the MSA, resulting in three different types of rural-urban relationships. First, in Fayette County, there is a distinct boundary between the urbanised portion of the county and the remaining rural area. Second, while the MSA is best described as a network of linked urban places, with a greater share of economic activity taking place over time in the ring counties, the historical relationship between Fayette and the ring counties has followed a "urban core-rural periphery" form. Third, the MSA itself is connected to a number of larger regions, where it is the dominant urban centre. These include planning entities, like the Bluegrass Area Development District, as well as larger statistical units such as the Lexington-Fayette-Frankfort-Richmond Combined Statistical Area (CSA), which links the Lexington MSA with three smaller adjacent micropolitan statistical areas. The resulting CSA has several distinct local labour markets, but there is a high degree of economic connectivity among the 13 member counties. All three levels are discussed below.

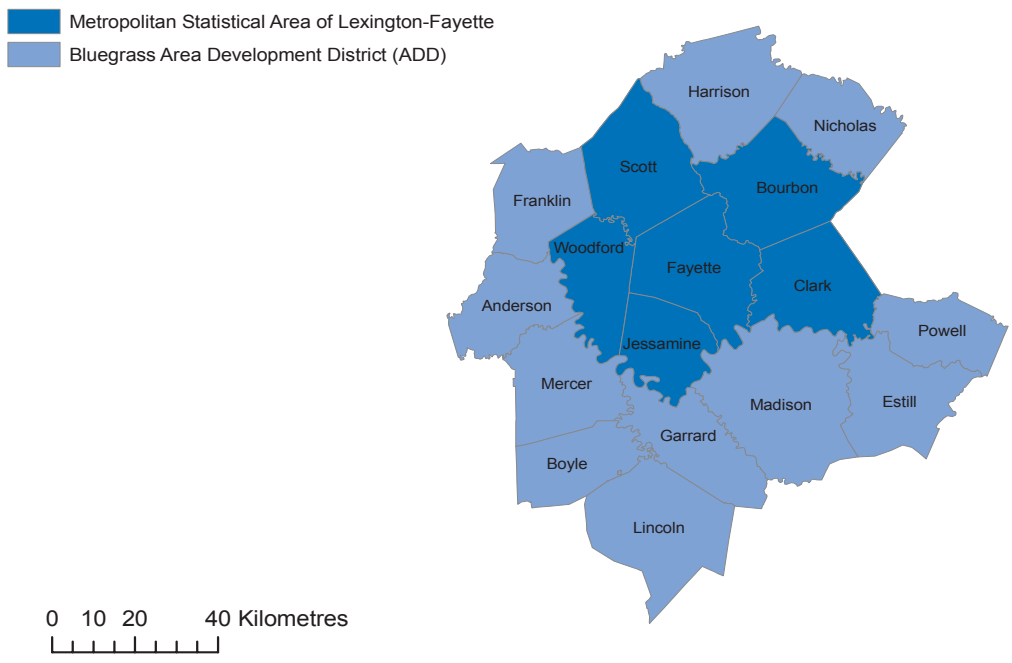
Urban Service Boundary reserves rural space

In the Lexington MSA, city planners and developers must find creative ways to utilise available space, as opposed to continually expanding outward into rural areas. This is because a rigid Urban Service Boundary – a growth boundary that limits development in rural areas – was introduced by the city of Lexington in 1958. The government, then a distinct local government separate from Fayette County, was the first US city to implement this approach. Development outside the Urban Service Boundary would not receive city services. The boundary is a buffer zone, outside of which residential and commercial development is either forbidden or confined to specific zoning restrictions and minimum lot sizes (Ambrose and Gones, 2003). Minimum lot sizes in the rural area were set at ten acres (four hectares) in 1964. The rural area provides: amenity benefits for urban residents, protected land for farming and a future reserve for development. In 1966, the urban service area was expanded for the first time. Notably, while the city of Lexington was able to limit sprawl within its boundaries at this time, it could not constrain development within Fayette County.

In 1974, the governments of the city of Lexington and Fayette County combined to create the Lexington-Fayette Urban County Government (LFUCG). This was a controversial development, and many county residents feared that they would be effectively disenfranchised, given their small share of the population, and that they would

face a steep increase in taxes with no improvement in services. The merger also resulted in a single school board and changes in school districts. To address rural residents' concerns, the LFUCG adopted a property tax structure that takes into account the package of services each residence receives, rather than simply the value of the residence. In addition, districts for urban county council members are constructed so that there are 12 territorially specific districts, one of these representing only the outer ring of rural land. In addition, two "at large" council members are to represent all citizens. With the merger, comprehensive planning within the urban county became more effective. A single plan now covered the entire county. In 1980, the comprehensive plan was updated to identify commercial and industrial sites both inside and outside the urban services boundary. In 2000, the LFUCG introduced a "purchase of development rights" programme, to compensate farmers who agreed to sever the right to develop their property from the land, as a way to limit pressures for farmland conversion, and in 2000, 40-acre (16-hectare) minimum lot size restrictions were imposed for residences in the rural service area.

Figure 17.1. **Lexington Metropolitan Statistical Area**



Note: This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

The combination of merged government and tight planning and zoning systems has had important consequences for the urban county. First, it has clearly helped to retain and preserve Bluegrass farmland, especially the large horse farms that are the signature use of the local landscape and which give the region its international image. Second, it has resulted in a remarkably compact city by North American standards, which has allowed a more structured delivery of public infrastructure and services. On the other hand, limits on development have resulted in very large isolated residences on 40 acres of land in much of the rural part of the county, which breaks up farmland, and relatively high

housing costs within the urban service zone, due to the higher construction and property costs there. Strict zoning and efforts to preserve green space have also made it difficult to attract large industrial firms into the county, because large parcels of greenfield industrial land are in short supply. While the merger eliminated the problem of development, bypassing the old city boundaries to spill into Fayette County to escape planning restrictions, this problem has now sprung up elsewhere. The LFUCG only regulates development in its jurisdiction, and most of the surrounding counties have been happy to accept development that finds the LFUCG rules too restrictive.

Growth limitations in Fayette County foster development in more rural areas

Fayette County served as an urban core that provided employment and services for residents of other adjacent counties. But strong development controls in the county have pushed new economic activity into surrounding counties. There are three factors at work in the Lexington MSA helping to redefine the rural-urban relationship:

- First, the payroll tax system is based on place of employment. This means that an individual government within the MSA must attract jobs, but must also be able to provide a suitable location to attract firms. Local governments depend to a large degree on locally raised tax revenue and not on transfers. A large number of cities and counties now rely on occupational license fees (effectively a local payroll tax), in addition to property taxes, for a major share of their revenue. With the rise in use of occupational license fees, a city or county has a large incentive to attract jobs to its jurisdiction, because the tax is based on place of employment. For this reason, economic development becomes the means for increasing the local tax base.
- Second, in Fayette County, the ability to host new large industrial firms is limited because tight growth restrictions have resulted in a limited amount of industrial land, particularly in the case of large parcels of land in a good location. A similar situation exists for large subdivision developments. However, the surrounding more rural counties have far weaker development restrictions and a much stronger desire for additional tax revenue.
- Third, because the local labour market is well integrated, there is no real need for firms or workers to be in Fayette County, especially since there are better site options in the adjacent counties. The increase in two-way commuting flows reflects this dispersal of economic activity away from Lexington. The boundaries of the MSA reflect commuting patterns, and over time, out-of-county commuting has become more common in all counties, leading to stronger integration of the local labour market. Initially, the commuting patterns were one-way flows, with residents in the ring counties coming to Lexington to work and shop. In the last decade, the flows have become two way, with commuters leaving Fayette County for work in the outer ring of counties, particularly in Scott County. These new reverse flows suggest the local urban system is evolving into a more polycentric form. While Lexington remains indisputably dominant in the region, several of the other counties have developed economic functions that make them less reliant upon economic conditions in Lexington. For most manufacturing firms, major retail developers and large subdivision developers, proximity to Lexington is now enough.

The MSA is embedded in a number of larger regions

The Lexington MSA, because of its strong urban core, provides important retail, information, healthcare and educational services to counties outside the local labour market. In general, as distance from Lexington increases, the population of counties decreases, the rural share of population increases, the level of educational attainment of the workforce decreases, unemployment increases, dependency on transfer payments increases, and the capacity of the local government, both in terms of tax base and staff, decreases.

The Bureau of Economic Analysis grouping of economic areas offers another level of urban-rural interaction. The influence of the Lexington MSA as a retail destination and as a location for tertiary healthcare, and a source for specialised business and personal services, extends a long way south and east of the region. The BEA constructed economic regions for the United States in 2004, as a way to identify relatively self-contained economies – the relevant regional markets surrounding metropolitan or micropolitan statistical areas. These regions define the ultimate reach of a core urban area. The Lexington region contains 52 of the 120 counties in Kentucky and one county from West Virginia. The BEA Economic Regions are established by comparing factors such as labour, products, information and other economic factors, as well as local labour commuting patterns. Clearly there is little meaningful connectivity within this large region, but it does provide an upper limit on urban-rural interaction.

Another grouping of counties is provided by the Lexington-Fayette-Frankfort-Richmond Combined Statistical Area. This is a more meaningful aggregation of 13 counties, where there is considerable interaction, including strong commuting flows between Frankfort and Lexington. Combined statistical areas are automatically created when there is 25% or more of employment commuting. But the Frankfort labour market is distinct from the Lexington MSA, as are the other two smaller labour markets centred on Richmond and Mount Sterling. The retail and service linkages from smaller counties to the MSA are clearly significant at this level of geography, but once again, there is very little formal collaboration among local governments. A final significant grouping providing a higher order aggregation is the Bluegrass Area Development District (ADD), which includes 17 counties and 33 cities. The ADD consists of 4 273 square miles (2.73 million acres) of land area. Unlike the previous functional areas, the Bluegrass area is serviced by a partnership, which is discussed below.

Partnership purpose and characteristics

Identified partnerships

There are two partnership structures currently fostering co-operation across rural-urban areas in the Lexington area: the Bluegrass Area Development District and the Bluegrass Alliance.

Bluegrass Area Development District

The Bluegrass ADD is a county-based partnership of local governments that provides economic development advisory services, and it also acts as a conduit for distributing federal funds for infrastructure. The Bluegrass ADD contains the 6 counties in the Lexington MSA and 11 adjacent counties. The ADDs were created by the state in 1967 to improve co-ordination among groups of counties with the potential to become better integrated (see Box 17.2 for a discussion of the role of counties). In part, the creation of

the ADDs was a response to federal efforts to improve local government co-ordination by requiring the creation of multi-county units within every state as a prerequisite for certain federal infrastructure funds.

Box 17.2. **Counties in Kentucky**

Counties are the basic building block of local government in the Commonwealth of Kentucky. There are 120 counties that cover the territory, and every person and firm is in a county. Counties are directly or indirectly responsible for providing local infrastructure, public services and delivering state programmes. Within counties, a second level of government exists: the city. Cities in Kentucky have varying degrees of competence, depending upon the type of charter they receive from the state government. In most cases, the city receives authorities that are transferred from the county, but larger cities can have powers that counties do not have. Importantly, while only residents of cities can vote in city elections, all residents of a county, including those in a city, vote in county elections.

Counties have historically relied upon property taxes and fees to fund the majority of their functions. Transfers from the state government are a significant, but not dominant, source of revenue. However, some counties now receive the majority of their revenue from a payroll tax that is imposed on employees at their place of work. This tax has strengthened the existing competition among counties for new development, as it can provide a large amount of revenue, with minimal new expenditure for public services.

There is no implementation function within the ADD, and its plans and recommendations are "advisory" in nature. While the ADD focuses on infrastructure and transport planning and on regional workforce skill development, it does not engage directly in economic development initiatives. The main function is regional planning and providing technical and management assistance on a broad range of issues to local communities.[1] Its partnership function is to provide a forum through which local elected officials meet to provide for the planned growth of their area and develop a co-ordinated regional growth plan integrated with state development plans.

The ADD is essentially a non-profit public agency with a Board of Directors made up of elected county leaders (county judge and mayor); citizen members (from each county within the ADD) and "at large" citizen members (citizens from throughout the region). In total, there are 75 Board members: 38 elected officials and 37 citizen members. Supporting the Board is a 17-member Executive Committee also with the same mix of members, 5 advisory committees and 3 councils. The membership of the committee and council differ in that they include board members as well as citizens from the public and private sectors. These remain a county-level function. It is funded through a combination of local, state and federal sources often linked to specific grants or to service contracts (Bluegrass Area Development District, 2012).

The ADD seems like a strong candidate for a partnership entity that addresses urban and rural interactions. After all, it is meant to encourage multi-jurisdictional co-operation and covers the MSA, plus 11 more rural counties. It is well linked to public and private actors in the region and also to various initiatives. However, it has an inherent difficulty in fulfilling a rural-urban partnership function. Due to the inherently competitive attitude towards economic development among counties in Kentucky, which limits collaboration among elected officials, the ADD is typically seen by county elected leaders as a pass-through entity, or conduit, and not a forum for meaningful collaboration (Gordon, 2009; Hall, 2008; McNamara and Green, 1988). Federal and state governments require participation in a multi-county planning entity as a condition for eligibility for

grant funds, and this is sufficient incentive to ensure participation. Where funds are used to support the provision of infrastructure across county borders, collaboration does exist, but the competition among counties for a bigger local tax base usually leads to parochial decisions on economic development. Most importantly, the ADD fails as a voluntary membership partnership because participation is coercive and the members are chosen by the state.

In addition, the development objectives of the various counties in the ADD are highly divergent. Three counties Boyle, Fayette and Woodford, clearly limit new activity and businesses, both in terms of location and whether the firm is compatible with the local *milieu*. Other counties are far less selective and have a narrow focus on increasing local employment, local income and the local tax base. Most importantly, the dependency on own-source tax revenue creates an environment where counties compete for jobs and income. The inherent advantages of larger places, like Lexington, with more suppliers, better infrastructure and better transport connections, can only be overcome in the smaller and more rural counties by offering cheaper land, cheaper labour and fewer restrictions on development.

The LFUCG has a larger staff and greater planning capacity than the ADD, so it does not rely on the ADD for services. Some of the other MSA counties also have relatively strong internal capabilities, but the smaller counties obtain all their planning support from the ADD. For example, three counties do not have county-wide land-use zoning regulations and some that do have no internal planning capacity. Counties with more internal capacity also tend to negotiate with state agencies directly, instead of using the ADD. This diversity makes it difficult for the ADD to act as co-ordinator for the larger regions. Most importantly, the ADD has no power to compel. It can only offer advice, and it has a limited internal budget, which means it cannot provide financial inducements to those who follow its advice. Since the ADD raises a significant share of its budget through fee-for-service agreements with the 17 counties, it is also in the position of having to rely on counties for its financial viability, which can create an incentive not to push counties too hard to go in directions they are not comfortable with.

Bluegrass Alliance

Each county in the MSA operates its own economic development agency, primarily to increase benefits for the county. As noted above, historically, each county in Kentucky has viewed itself as an autonomous community that is in competition with its neighbours. But in the MSA, the various counties have become increasingly specialised in economic function, and while this specialisation has advantages, it also requires better co-ordination for future prosperity. In particular, the development choices that Lexington has made leave it increasingly dependent on co-operation with surrounding counties. At the same time, greater growth in Fayette County remains the best way for the surrounding counties to prosper. The problem is that there is an economic imperative for collaboration, but no political support for it.

In response, chambers of commerce (non-government local economic development organisations) in the major cities of the Lexington MSA, plus the main cities in Madison, Montgomery and Franklin counties, have established the Bluegrass Alliance, to jointly market and support economic development in the region. By adding members in the three additional counties, the majority of the population and economic activity in the larger Lexington-Fayette, Franklin, Richmond CSA are all linked. The key feature of the partnership is its bottom-up, private-sector origin. Notably the members of the

organisation are not governments and largely reflect the interests of private firms, and the organisation has no formal status.

The main organising function of the Bluegrass Alliance is carried out by chambers of commerce, which are business-focused non-governmental organisations (NGOs). While the chambers are city based, most of them also have rural members and a larger geographic focus. Historically, chambers have worked closely with the formal government economic development organisations and often receive local government funding for some of their activities. Commerce Lexington is the largest chamber in the Alliance, and it provides most of the administrative support. Even within this group, there is tension over the distribution of benefits, with some concern that the others get what Lexington does not want. However, there seems to be a strong effort to institute a transparent process that all members participate in.

The Bluegrass Alliance operates outside the political arena, because there is no political consensus for collaboration, but it has the tacit support of local governments. The main objective is to market a larger region that can be seen to be a coherent economic unit and which provides a broader array of opportunities for inward investment. The key belief is that increasing wealth anywhere in the region brings benefits for all members of the Alliance. Moreover, the divergent individual strategies of different counties now make them more or less attractive for specific types of economic development. This reduces direct competition for specific firms.

The Alliance has also formed a lobbying entity, the Central Kentucky Regional Public Policy Group, to collectively work for a joint agenda at the state and federal level. Local businesses and organisations suggest priorities to the members, and these are reduced to a smaller set of priorities that all can support. Bringing a larger group from a number of counties with agreed-upon priorities to address political leaders can increase the likelihood of funding, because politicians can see that the ideas have broad-based local support.

The Bluegrass Alliance is a clear reflection that urban rural collaboration in a network of linked local jurisdictions can succeed. But it is a minimalist response to the potential of collaboration. It exists because of the perceived need for co-ordination in economic development efforts, but also because the local governments formally charged with economic development cannot agree to co-operate. Existing institutions and attitudes preclude a more formal inter-governmental collaboration, so the best that can be achieved is an informal structure that is driven by the economic interests of local firms. While regional collaboration is typically justified as a public good, in the case of the Lexington MSA, it is private benefits that motivate the partnership. Members of the Alliance believe that additional economic growth has direct benefits for them that are large enough to justify engaging in collective action.

Partnership strengths and weaknesses

The Bluegrass ADD and the Bluegrass Alliance evolved from contrasting elements. The ADD is a top-down non-profit government organism that has been in place for several years, enjoys a wide array of physical and financial resources and is mandated to serve the MSA, plus 11 other counties. Nonetheless, its capacity to foster rural-urban interaction is limited. The Bluegrass Alliance is a less established entity. It grew out of a bottom-up process and is a partnership of economic development professionals in Central Kentucky, working together to promote job creation and investment for the benefit of the

region. While it has potential to grow into a core rural-urban partnership, it, too, is not yet at that point. While the ADD has some formal authority and the ability to almost compel membership as a condition for receiving federal funds, the size and diversity of the members leads to limited common interest. This lack of common purpose, combined with historical conflicts among counties, has limited the effectiveness of the ADD as a co-ordinating agent. By contrast, the Alliance members have a strong common interest, but their future success hinges on managing local government conflicts so that they do not interfere with their efforts to co-operate. Although the Alliance exists outside the formal system of government, it needs the implicit endorsement of local governments to be effective.

The Lexington MSA is a relatively compact geographic region with a strong degree of functional integration. Lexington provides a strong anchor for the region, but economic activity is increasingly distributed across the six counties. The sense of regional identity is enhanced by the presence of the Thoroughbred industry, which covers a large amount of the rural territory and gives the region a globally recognised identity, even though the economic contribution of horse farms and agriculture in general continues to decline as a share of regional income and employment., Within the state, the Lexington MSA is strongly connected to the Louisville MSA and the Greater Cincinnati MSA. These three MSAs are connected by interstate highways and constitute a "Golden Triangle" that contains a large share of the state population and the vast majority of advanced manufacturing, universities, tertiary medical facilities, advanced producer services and media companies in Kentucky. Incomes and education levels in the Golden Triangle are significantly higher than in the rest of the state, and it continues to attract migrants from other parts of Kentucky and elsewhere.

The MSA, in the case of the Lexington region, is seen both by local political leaders and the larger population as a meaningful geographical entity. While there are clear differences among the six counties in terms of structure and aspiration, they have common bonds based upon economic co-dependency, cultural homogeneity and physical geography. Ironically, as Lexington attempted to manage its own growth, first by establishing an urban growth boundary for the city and then by amalgamating with Fayette County, it became more dependent upon the surrounding counties to achieve its objectives. There was nothing to stop "leap-frog" development into adjacent counties, and to a great extent, once that had happened, Lexington was forced to accommodate the growth by improving connector roads.

This growth has taken on a variety of forms. Some counties have become typical "bedroom" communities, with a greater number of residents but not of local jobs. These counties rely to a great extent on employment opportunities in Fayette County or Scott County. Two residential strategies seem to exist. Woodford County, which is consistently one of the counties in the state with the highest income and lowest unemployment rate, has adopted strong planning and zoning regulations that are comparable to those in Fayette County. The combination of tight development controls, high ambience and high income in the county has resulted in relatively valuable residential property there. Woodford has also developed a small, but quite highly skilled, manufacturing sector that contributes a significant amount of payroll tax to the county budget. By attracting affluent professionals who work in Lexington, the revenues from per-household property tax in Woodford are less likely to fall below the cost of providing public services. Bourbon County seems to following a similar strategy. Notably, these two counties have some of the larger and more valuable Thoroughbred farms in their territory.

Jessamine County typifies the other residential approach. It has been much more willing to accommodate large moderate-income subdivisions that have led to rapid growth within the county. While rapid growth of moderate-income housing runs the risk of not covering the incremental cost of new infrastructure, especially schools, rapid appreciation of housing prices through 2008 allowed increases in property taxes. More recently, the growing population and a pro-development local government have led to a significant expansion of commercial and retail activity that is now providing a new source of payroll tax revenue.

Scott County reflects a completely different development path. It has relied on Toyota's largest assembly complex in North America to drive its local development. The Toyota location decision exemplifies the complex relationship between Fayette and the ring counties. Toyota required a large greenfield site with direct interstate access, as well as a large local labour pool with a relatively high level of formal education. Lexington provided the labour pool and good urban amenities for Toyota managers, but Scott County had the land and easy interstate access. Consequently, the largest share of the workers at Toyota come from Fayette County, but Scott County captures the occupational and commercial taxes. Scott and the other ring counties also benefit from the location decisions of component manufacturers for Toyota. In this case, Lexington, because of the limited availability of industrial land, was unable to host the assembly and parts operations. Nevertheless, it clearly benefits from second-round effects, because professional services that deal with Toyota are located in Lexington, and the workforce, which lives throughout the MSA, spends a large share of its income in Fayette County.

It is possible to construct revenue- and cost-sharing agreements among local governments, and some cities and counties have been successful in doing so. However, for the most part, the autonomy of counties and the perceived benefits of capturing all the tax revenue lead to independent action and even intense competition in attracting new development. Complicating the process is the growing recognition by local governments that new residential development by itself can be detrimental for the local government budget, because residential property taxes for low- to moderate-cost housing typically generate less revenue than the cost of providing services for the families that occupy the housing.

With increased commuting flows, especially by private automobile, the pressure to co-ordinate road networks has increased. To a large extent, this happens at the state level, which removes the need for inter-county co-ordination, but county roads also play a role in commuting flows. In addition, new development in one county has spill-over consequences for other counties, especially if the development is on, or near, a county border. In particular, because of increasingly strong commuting flows from Jessamine County into Fayette County, these two counties have formed a specific transport planning co-ordination body that has been granted support from the federal and state transport agencies.

The Toyota location decision highlights a crucial challenge for ongoing development in the MSA. A key attractor for external firms is the high-amenity landscape that is preserved by strict growth controls in those counties, with a strong Thoroughbred farm presence. But these firms require land on which to locate, and reasonably priced housing for a growing workforce. This means that other counties in the MSA end up hosting the new firms and new workers. If there was a single unified regional government, the costs and benefits of these shared functions could be worked out fairly. As it now stands under autarky, the counties hosting new firms are clear winners, since they capture a large new

tax base. In addition, the high-amenity attractor counties may also be net beneficiaries, even though they do not get the direct benefits if there is sufficient new spill-over activity in their existing commercial and retail functions. But the counties that only host new residential construction may have difficulty generating enough net new revenue from property taxes to cover the increased cost of delivering public services to a growing number of households.

Conclusions and looking ahead

The MSA is not a policy tool, nor does it have any legal identity. If an MSA is to become more than the demarcation of a local labour market, this has to come from the behaviour of the political and administrative units within it. Recall that MSAs, as described by the OMB, which defines them, are intended simply to be a structure for assembling statistics on a geographical basis. Moreover, the MSA is only one among many regional organisations, so there is a reasonable likelihood that other regional entities might have equal resonance for spatial organisation.

Counties, and not regions, are the basic unit of government in Kentucky, and county autonomy is jealously guarded. The resulting dominance-dependency relationship has contributed to already weak political ties. In the past, Lexington dominated the MSA because it was much larger and because it was the economic engine. Commuting flows were largely one-way from rural counties, which made their individual prosperity and that of the entire MSA a strict function of how well Lexington was doing. The local "hub and spoke" road network reflects this relationship. The main connector roads from the five county seats in the adjacent counties meet in the middle of Lexington. In each of these county seats, the name of the road is the Lexington Road. Conversely, in Lexington, the road name becomes the name of that county seat, as it approaches the historic Lexington city boundary.

The inherent nature of dependence upon county-based economic development strategies and the history of Lexington/Fayette County acting unilaterally in its self-interest are major sources of tension among the counties, but there are other contributing factors. One of these is a radically different perspective on future growth strategies. Lexington has clearly embraced a planning-based approach that emphasises the preservation of green space, ideally populated by horse farms, and an urban zone that is post-industrial. With the presence of a major university and a large tertiary-care sector as well as a foothold in computer technology, the city perceives that its best opportunities are in the modern economy, with its emphasis on high amenities as a way of attracting innovative young professionals.

Augmenting the Lexington/Fayette government focus on natural amenities is a strong anti-sprawl movement. A number of community-based advocacy groups, including Bluegrass Tomorrow and Fayette Alliance, emphasise the value of the Thoroughbred industry to the region and focus on protecting farmland from development. Their initial focus was only on Fayette County, but they are now realising that a broader regional approach is required, or growth simply leapfrogs the county boundary. However, other than in Woodford County, local support for farmland preservation has been limited, and it is generally recognised that the Thoroughbred industry offers little potential for economic growth.

By contrast, the surrounding counties remain more focused on traditional inward investment by large firms. With a less skilled workforce, few supporting institutions and

much smaller size, a more traditional economic development approach fits their situation and is more compatible with the values of residents. In addition, while the interests of Lexington tend to focus on the MSA, the outer ring of counties also cultivate relationships with the next tier of counties farther out. They see these counties as contributing to the demand for goods and services provided by their local firms, if they can reduce by-pass flows through them into Lexington.

Institutionally, there is a major mismatch. While the LFUCG is technically a county government, it acts like a city government and has a highly urban orientation. For the LFUCG, rural land is mainly a reserve and a source of amenities. In Fayette County, there are no meaningful urban settlements other than the former city of Lexington. Outside Fayette County, it is county governments that are mainly engaged in planning and economic development activity. Not only do these governments have an inherently rural orientation, they often have less than ideal relationships with the cities in their counties. This results in another form of rural-urban tension that can cloud economic development discussions within a county.

Importantly, there has been no big issue that demands a regional solution. While virtually all local officials recognise that in principle, regional collaboration could improve collective well-being, they fear their jurisdiction would lose in the process. In this environment, absent a compelling reason to collaborate, it is safer politically to act autonomously. Collaboration may mean sending local revenue outside the county, which is difficult to explain to voters, and that can lead to electoral defeat. A clear example is public transit. Only Lexington has a public transit system, and Lexington believes expanding public transit would reduce congestion problems from commuting. But, to expand public transit would require Lexington to absorb a significant share of the cost of pushing bus service out to neighbouring counties, which is unpopular with Lexington voters.

The crucial question for the Lexington MSA is whether the Bluegrass Alliance is enough. The Alliance can be effective in the narrow sphere of business expansion and in advocating for specific public projects. However, it is unlikely to have much influence on co-operation among local governments. As long as local government leaders believe that collaboration has as much downside risk as upside benefit for their political career, a reluctance to formally collaborate will persist.

As in other cases where one local government is dominant, it is difficult to achieve collaboration that is led by the dominant government, and impossible to achieve it without this leadership. Lexington is recognised as the dominant member of the region, and only Lexington has the administrative capacity to support regional collaboration. But Lexington is broadly perceived by other counties as having the potential to act in its narrow self-interest in any collaboration, and this leads to a reluctance to collaborate on the others' part.

At present, no obvious external force exists that calls for stronger collaboration. This means that stronger urban-rural linkages in the Lexington MSA can only be achieved by incremental changes. These could include: greater economic integration, an increased willingness to use the unique landscape resources as a focal point for shared development, or efforts to harmonise local public services, including mass transit. The key impediments are: the economic self-interest of local government, differences in culture and values between a highly urbanised Fayette County and rurally focused surrounding counties, and the multiple ways for configuring the actual membership of the region in terms of participating counties.

Note

1. Help is given to local economic development agencies and to planning commissions; applications are prepared seeking funding for a wide variety of public projects; assistance is provided in meeting administrative requirements of various federal and state programmes; and public management assistance is rendered so that local governments may upgrade their levels of service.

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