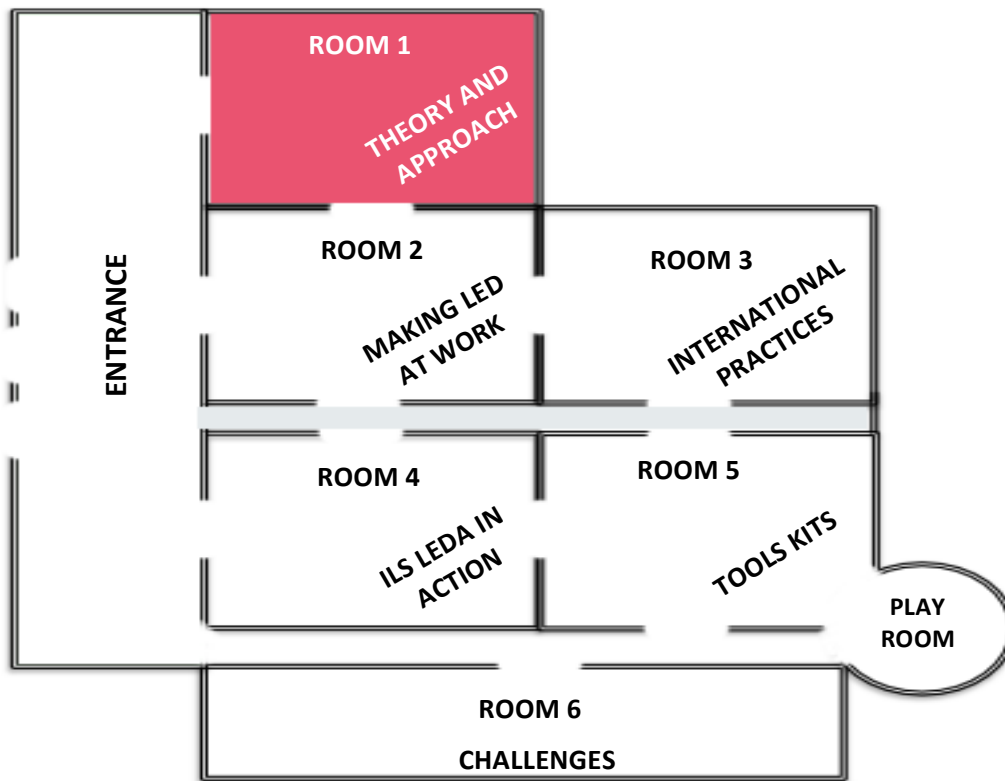


THE HOUSE OF INCLUSIVE AND SUSTAINABLE TERRITORIAL ECONOMIC DEVELOPMENT (I S T E D)

How to make it in practice



**ROOM 1: BRIEF THEORETICAL OUTLINES AND APPROACHES
ABOUT TERRITORIAL ECONOMIC DEVELOPMENT**

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Today's conventional micro and macroeconomic models are insufficient to explore the dynamic and complex interactions between humans, institutions and nature in our real economy.

The territory is a geographical space or medium that generates effective development, thanks to the proximity and the corresponding basic development elements, such as governance, collective learning, economies of scale and agglomeration, easy access to externalities.

Territorial development depends primarily on a concentrated organization of the territory, integrated into a socio-economic and cultural system whose components determine the success of the local economy

The development process, human development, must at least create an environment for people, individually and collectively, to develop their full potential and have a reasonable opportunity to carry on a productive and creative life that value them.

Preface

We all live in a world where, in any part we are, we can easily find information about what happens everywhere, learn about the most varied issues and on almost any topic, we can receive or transfer goods (including financial ones) and services almost everywhere fast and at competitive costs, communicate remotely in audio-visual, work in a place for companies or customers that are thousands of miles away. It would seem that living in one place or another makes no difference.

That's it? Permitted that, of course, in a place one must live, it is obvious that everyone would like the place to live to be the one that offers the most job opportunities, where it is possible to better educate oneself and one's children, where one can be better cared for and where public services work well, perhaps even where clean air is breathed and there is not a lot of garbage on the street and maybe even where people are kind and supportive, where friendships and spontaneous relationships can easily be held, and where neighbours are well disposed to give you a hand in times of difficulty, where it is easy to find harmony in dealing with and solving problems common to the community (services, transport, care for children, the elderly and the sick, land maintenance, safety, emergency management, food control, up to the practices of collective purchase etc.). This ideal place does not exist, and yet it is difficult to deny that it is what we all aspire to. So much so that nowadays cities and regions compete to attract as many people as possible, showing that they are close to one or more of the aforementioned desires and this is already sufficient to show that the place, the territory has a fundamental value in the people's lives.

But there's more. From the anthropological point of view it is true that man and woman are wandering animals, but that at a certain moment they need to stop and stop where they like or consider them the least of evils. On the other hand, man and woman are not only rational and their choices (including localization) involve emotional and sentimental components. And, in fact, only a small part of the population moves from one part to the other by choice, constraint or necessity. Most move only once or remain forever where they were born, prefer to eat local products, love the traditions and culture of their land of origin or second choice, they like to weave good relations with their neighbours and have friends and lovers coming and trusting us blindly.

A healthy, balanced and supportive development of a territory is what we all aspire to and, in order to obtain it, there is need for complex processes, which refer to theories and practices of local, regional or territorial development as we wish to call them.

The present work intends to provide a comfortable "house" where the reader can find what she/he consider more useful for her/his knowledge need about what Local Development is, and how to make it in practice. You can take the path that leads you from the entrance to the end in the order how it is introduced (room 1, room 2, etc.), or you can choose your own path, or read only some of the chapters. The work aims to offer a useful guide to scholars and operators on the one hand in orienting themselves on the main theoretical schemes and approaches that support local development processes, on the other in having a panorama of the practices carried out by important international institutions, and finally it proposes some "tool kits", which can be of help to those interested in "how to implement" local development processes, with a particular eye to economic ones.

The "room" you want to visit are:

ROOM 1: Theoretical bases and main approaches assets (the bottom-up path, space and spatial dimension, social capital: the value of the participation).

ROOM 2: Making TED at work (Governance, Strategies, Implementation).

ROOM 3: Operationalising the approach: international practices (Ilo, Undp, Oecd, European Union, World Bank, Bid, Un-Habitat, Swiss Cooperation, Giz).

ROOM 4: The IIs Leda case (What IIs Leda is, The IIs Leda approach on governance, strategic planning for competitive, inclusive and sustainable development, implementation, territorial promotion).

ROOM 5: The IIs Leda tool kits (on how to make governance at work; how to valorize the endogenous resources; how to create a LEDA; how to measure the Leda performance; how to manage a LEDA; how to promote a territory).

ROOM 6: Challenges (Innovations, Social and solidarity economy, Role of territory in the globalization, Role of territories in safeguarding the planet: circular and green economy).

A side "Playroom" is also available for an amusing game about Local Economic Development Agencies

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1.4 The approach main assets

1.1 Abstract

Chapter 1.2 introduces the main theories at the base of local or territorial development. Roberta Capello identifies two large groups of theories: the location theory, first developed in the early 1900s, which deals with the economic mechanisms that distribute activities in space, and the regional growth, and development theory, which focuses on spatial aspects of economic growth and the territorial distribution of income. The reader will find:

- a) how these theories generally seek to identify the factors, which render the locality more attractive than other ones for internal resources (human, economic, financial), or external ones.
- b) the radical change occurred in the middle of the 1970s, in the conceptualization of space conceived no longer a simple geographical container, but as an economic resource, as an independent production factor, generator of static and dynamic advantages for firms and territory, embedded in which is the socio-economic and cultural system, whose components determine the success of the local economy.
- c) The numerous neo-Marshallian theoretical approaches pursued through very similar lines of theoretical inquiry about endogenous development during the 1970s and 1980s: the first one was Giacomo Becattini with his seminal study on the 'Marshallian industrial district'. Then Walter Stöhr developed the concept of 'bottom-up development', Enrico Ciciotti, Antonio Vazquez Barquero and Reinhart Wettmann that of 'endogenous potential', Bengt Johannison of 'local context', Bernardo Secchi and Gioacchino Garofoli of 'system areas', and Claude Courlet-Bernard Pecqueur and Bernard Ganne of 'localized industrial system', and how these theories have enriched economic analysis by identifying the intangible elements (knowledge, learning, relationships, social capital), which come together to form local competitiveness.
- d) The United Nations concept of human development (HU), launched in the 90ies that is about expanding the richness of human life, rather than simply the richness of the economy in which human beings live. It is an approach that is focused on creating fair opportunities and choices for all people. Following element focused the human development approach.
- e) The glocalization or glocalism theory, formulated in the 1980s, that argues that the foundation of society in every age has been and is the local community, organized in ever-expanding groups, present on a territory with other increasingly complex groups up to the complex globalizing realities.

Chapter 1.3 analyses the theoretical hypothesis, on which the ILS LEDA approach for making territorial economic development at effective and efficient. These hypothesis are very close to that of endogenous development, which allows to better perform an approach which enhances the decision-making capacity of local economic and social actors on the development process, selects how to support it during phases of transformation and innovation, and favours collective learning processes.

The chapter will, then, go through:

- a) the institutional theory (Ash Amin), that underlines the need to promote intermediate forms of governance, embracing a more comprehensive model, where the territorial endogenous competitive and sustainable potential includes all the economic sectors, and the cultural heritage, and the conditions under which an area can acquire and maintain a role in the international scenario.

- b) The main theoretical strands for the operational implementation (ILS LEDA), that are: the valorization of the development tangible and intangible elements, the relevance of the relational capital; the glocalist concept of network and social dynamism as fluctuating, liquid, open, cosmopolitan; and a process that moves between continuity and discontinuity.
- c) How the overall development goals goes beyond the classical concept of growth and its indicators, such as GDP, embracing the United Nation human development, and millennium goals, with particular reference to the Reduction of poverty, Well-being; Gender Equality; Green economy, Decent Work; Innovation; Reduction of inequality; Sustainable Cities and Communities; Partnerships to achieve the Goal.
- d) How it is possible to find an optimum territorial dimension, and what the role of the main three variables: (i) the critical mass of resources enabling access to large markets, (ii): the proximity enabling a strong relational capital and participation, (iii): the administrative boundary and role in defining institutional territorial plans.

Chapter 1.4 shows the approach main assets, such as:

- a) The top down, the bottom-up, and the closed spiral models: the bottom-up approach, where decisions are taken by local actors, and adapted to the local context and vision. It could be either authoritarian (as the top-down approach) or democratic. Of course the bottom-up approach better fits with a democratic model because of the proximity of the decisions to the area of their influence. As comprehensive approach, ILS LEDA proposes the “closed spiral” model, that integrates the previous three, gives the appropriate voice to the local communities, without excluding the governing role of the national government.
- b) The basic Giddens’ concepts about the spatial dimension: locality and accessibility, which allow spatial and temporal location of interactions. Local in Giddens’ sense is used in a rather wide sense referring to entities with rather different contents including a flat, a corner of the street, a town, a village or a nation state defined by its political borders.
- c) The concepts of meso and meta economics, introduced by Nobel prize Paul Krugman, who argues that today’s mainstream micro and macroeconomic models are insufficient for exploring the dynamic and complex interactions among humans, institutions, and nature in our real economy. Meso-economics studies the institutional aspects of the economy that are not captured by micro or macroeconomics, Meta-economics goes still further, by studying deeper functional aspects of the economy, understood as a complex, interactive, and holistic living system. In this framework we will learn territory is a geographic space or milieu that generates an effective development, thanks to the proximity and correspondent basic developmental elements such as governance, collective learning, scale and agglomeration economies, easy access to externalities.
- d) How to measure the optimum dimension of this geographic environment or agglomeration”, that enables the fundamental characteristics of territorial development. ILS LEDA tries to give a systematic answer through the relationships between three variable: AB= Administrative Boundary, Cr= The critical mass of resources, Pr= The level of participation, that is a territory corresponding to an administrative level of planning and relating to the area where the maximum possible critical mass of resources is compatible with the maximum possible participation.
- e) The importance the social capital and the value of the participation, and how to answer to the question “how to make it at work?”, and how it has to do with how it allows participation n in the economic cycle, that are: (i) the various ways of participation, that is: Consultative, Approvative, Semi-decisional, and Decisional; (ii) Who are the participant actors; (iii) The various topologies of public-private-partnership; (iv) What degree of formalization, either for members of the PPP, and the collective mechanism.

1.2 Brief Theoretical outlines

Two large groups of theories make up territorial economics: location theory, first developed in the early 1900s, which deals with the economic mechanisms that distribute activities in space, and regional growth (and development) theory, which focuses on spatial aspects of economic growth and the territorial distribution of income.

The location theory

Location theory deals with the location choices of firms and households, and -in microeconomic terms- involves either investigation into the location choices of firms and households, and analysis of disparities in the spatial distribution of activities, which enables the interpretation of territorial disequilibria and hierarchies, using for the first time the concepts of externalities and agglomeration economies.

The location choices are interpreted by considering only the great economic forces that drive location processes: transportation costs, which diffuse activities in space, and agglomeration economies, which instead cause activities to concentrate. By balancing these two opposing forces, these models are able to conform the space.

Location choices are dictated by a specific principle of spatial organization of activity: namely 'accessibility', and in particular accessibility to a market or a 'centre'. For firms, high accessibility means that they have easy access to broad and diversified markets for final goods and production factors, to information, and to the hubs of international infrastructures. For people, accessibility to a 'central business district' and therefore to jobs, while at the same time they enjoy easy access to a wide range of recreational services restricted to specific locations (e.g. theatres, museums, libraries) and proximity to specific services (e.g. universities), without having to pay the cost of long-distance travel.

The regional growth theory

The regional growth theories take into consideration numerous factors which may trigger a growth process: among them **increased demand** for locally produced goods; **greater local production capacity**; a more abundant endowment (quantitative and qualitative) of **local resources** and production factors; and a larger amount of **savings** available for investments in infrastructures and technologies intended to increase the efficiency of production processes.

Growth of a region depends on the extent to which its productive structure specializes in goods demanded by consumers world-wide. Examples are the textiles of Prato (near Florence, in Italy), the glassware of Murano (near Venice, in Italy), the cars of Turin, Detroit or Munich, the olive oil of Greek and Italian regions, the wines of areas in France and Italy, the parmesan cheese in Italy, the Oxford university system in England, the Silicon valley in United States, to mention only some. Expansion in demand for the goods produced in these areas determines whether or not the entire territory will grow with positive effects on income and local employment and – via interdependencies in production and consumption – on employment and income in activities upstream and downstream from the production of that good (generating a virtuous circle).

Nevertheless, these theory presents, according to R. Capello, some weaknesses.

Firstly, an approach of this kind can only interpret a short-term process of growth, because it implicitly assumes the competitiveness of current production and the economic system; an assumption which can only be sustained in the short period.

Secondly, development is associated with the pursuit of higher levels of employment and income: no consideration is made of either individual well-being or the competitiveness of the local production system.

To take the example of the Detroit (or Turin) car industry, it is possible to hypothesise that Turin's or Detroit's productive capacity will be able to satisfy increasing demand, but in the long period, the area's development will depend on the car industry's ability to maintain its position on the world market, and to compete on the basis of the quality and innovativeness of its products.

These theories do not only view exports as the engine of development but take a step further by identifying the factors responsible for the greater export capacity, and therefore the competitiveness, of a local economic system. If an economic system is able to export – or in other words, if it is able to gain a role in the international division of labour – it must enjoy some form of advantage.

New conception of the role of territory in the international scenery

Growth is no longer interpreted as an increase in employment and short-term income; rather it is conceived as individual well-being, which is achieved either through increases in factor productivity, and consequently in wage levels and per capita income or through specialization processes which generate interregional trade, and consequently advantages deriving from the purchases of goods offered on the external market at prices lower than they would be if the goods were produced internally.

These theories employ the concept of relative advantage, or comparative advantage, first formulated by Ricardo in his classical model of international trade and on the basis of which it was possible to identify a region's specialization. Among all the goods that can be offered on the external market, the region exports those that it produces at relatively lower cost.

Local development theories

Theories of local development seek to identify the factors which render the costs and prices of production processes lower than they are elsewhere.

These factors are (i) exogenous elements, which originate externally to the area and are transferred into it either fortuitously or deliberately, and (ii) endogenous elements which arise and develop within the area and enable it to initiate a process of self-propelling development.

Exogenous elements comprise the following: the fortuitous local presence of a dominant firm or a multinational company; the diffusion in the area of an innovation produced elsewhere; or the installation of new infrastructures decided by external authorities. Although these elements have nothing to do with local features and productive capacities, once they are present in an area they may catalyse new economic activities and development.

Endogenous elements are entrepreneurial ability and local resources for production (labour and capital); and in particular the decision-making capacity of local economic and social actors able to control the development process, support it during phases of transformation and innovation, and enrich it with external knowledge and information. All these are factors strengthened and enhanced by: (a) concentrated territorial organization which generates local processes of knowledge-acquisition and learning; (b) networks of economic and social relations which support more efficient and less costly transactions; (c) the advantages of economic and physical proximity among economic actors.

Regional development theories adopt a notion of generative development whereby the national growth rate is the sum of the growth rates achieved by individual regions.

New conception of space

In the middle of the 1970s, a radical change in the conceptualization of space conceives it no longer a simple geographical container, space is conceived as an economic resource, as an independent production factor. It is the generator of static and dynamic advantages for firms, and a key determinant of a local production system's competitiveness. According to the theories examined in this section, space is a source of increasing returns, and of positive externalities taking the form of agglomeration and localization economies.

Nevertheless, it is fundamentally dependent on a concentrated organization of the territory, embedded in which is a socio-economic and cultural system whose components determine the success of the local economy: entrepreneurial ability, local production factors (labour and capital), relational skills of local actors generating cumulative knowledge-acquisition – and, moreover, a decision-making capacity which enables local economic and social actors to guide the development process, support it when undergoing change and innovation, and enrich it with the external information and knowledge required to harness it to the general process of growth, and to the social, technological and cultural transformation of the world economy. They seek out the local factors which enable areas, and the firms located in them, to produce goods demanded internationally with an (absolute) competitive advantage, to maintain that advantage over time by innovating, and to attract new resources from outside.

The neo-Marshallian theorists

Numerous neo-Marshallian theorists around the world pursued very similar lines of theoretical inquiry during the 1970s and 1980s (still today there is no lack of theory on the matter): Walter Stöhr developed the concept of 'bottom-up development', Enrico Ciciotti, Antonio Vazquez Barquero and Reinhart Wettmann that of 'endogenous potential', Bengt Johannison of 'local context', Bernardo Secchi

and Gioacchino Garofoli of 'system areas', and Claude Courlet-Bernard Pecqueur and Bernard Ganne of 'localized industrial system'. But the first systematic theory of endogenous development was produced in Italy by Giacomo Becattini with his seminal study on the 'Marshallian industrial district' published in the mid-1970s.

The territory as the generator of dynamic external economies - that is, all those advantages which favour not only the productive efficiency of firms but also their innovative efficiency.

The new growth path (endogenous, cumulative, selective)

These theories have enriched economic analysis by identifying the intangible elements (knowledge, learning, relationality, social capital) which come together to form local competitiveness.

These models generate a growth path which recalls that of the theories surveyed in the previous section: once again, this is a path of cumulative, endogenous and largely selective growth, and engendering a virtuous circle in the form of learning processes, scale economies (at the area or firm level), and localization and urbanization economies.

These neo-Marshallian theories are all more similar to those of endogenous local development in that they pursue the same goal of identifying the elements which determine long-period competitiveness, and the conditions under which an area can acquire and maintain a role in the international division of labour. They entail the assumption that associated with increases in production are ever greater savings of resources, and therefore increasingly greater rises in productivity, with positive and growing effects on local competitiveness.

Human Development

The human development (HU) approach is about expanding the richness of human life, rather than simply the richness of the economy in which human beings live. It is an approach that is focused on creating fair opportunities and choices for all people. The following element focused the human development approach:

People: HU focuses on improving the lives people lead rather than assuming that economic growth will lead, automatically, to greater opportunities for all.

Opportunities: HU is about giving people more freedom and opportunities to live lives they value. In effect this means developing people's abilities and giving them a chance to use them. Three foundations for human development are to live a healthy and creative life, to be knowledgeable, and to have access to resources needed for a decent standard of living. Many other aspects are important too, especially in helping to create the right conditions for human development, such as environmental sustainability or equality between men and women.

Choices: HU is about providing people with opportunities, not insisting that they make use of them. No one can guarantee human happiness, and the choices people make are their own concern. The process of development - human development - should at least create an environment for people, individually and collectively, to develop to their full potential and to have a reasonable chance of leading productive and creative lives that they value.

The United Nations 17 Millennium Goals

The human development approach, developed by the economist Mahbub Ul Haq, is anchored in Amartya Sen's work on human capabilities, often framed in terms of whether people are able to "be" and "do" desirable things in life.

In 2015 the United Nation launched the campaign for a development process whose 17 goals shall be achieved within 2030. They are:

GOAL 1: No Poverty; GOAL 2: Zero Hunger; GOAL 3: Good Health and Well-being; GOAL 4: Quality Education; GOAL 5: Gender Equality; GOAL 6: Clean Water and Sanitation; GOAL 7: Affordable and Clean Energy; GOAL 8: Decent Work and Economic Growth; GOAL 9: Industry, Innovation and Infrastructure; GOAL 10: Reduced Inequality; GOAL 11: Sustainable Cities and Communities; GOAL 12: Responsible Consumption and Production; GOAL 13: Climate Action; GOAL 14: Life Below Water; GOAL 15: Life on Land; GOAL 16: Peace and Justice Strong Institutions; GOAL 17: Partnerships to achieve the Goal.

The Millennium Goals provide new roles and challenges to play for the territories.

Glocalisation

Glocalization or glocalism is a term formulated in the 1980s in the Japanese language (dochakuka), later translated into English by the sociologist Roland Robertson and then further elaborated by the sociologist Zygmunt Bauman to adapt the globalization landscape to local realities, so as to better

study their relations with international environments.

The global and the local as two sides of the same coin, and the development as interrelations between the forces uprooted in local communities, and the forces disseminated by globalization, between a fund and a top down (Boisier-Canzanelli, 2008).

The glocalists believes that the foundation of society in every age has been and is the local community, organized in ever-expanding groups present on a territory with other increasingly complex groups up to the complex globalizing realities. Roland Robertson believes that it is similar to a great matrix of possibilities, in which it is a series of solutions and differentiated answers, with which distinct and unrelated identities are interwoven and woven.

Glocalism is nourished by the concept of network and social dynamism: it is fluctuating, liquid, open, cosmopolitan; a process that moves between continuity and discontinuity.

There are numerous seals that counter glocalization: first of all the complex nation-state, but also a localism that is too closed in itself and in defence of its prerogatives against every external agent and globally, to this we can add a strongly oriented globalism market, from consumption, from technique, from products, from brands, which leaves little room for the "person" and his identity.

1.3 The theoretical hypothesis for making TED at work in the ILS LEDA approach

The theoretical hypothesis, on which the ILS LEDA operational approach for making territorial economic development effective and efficient is very close to that of endogenous development. It allows to better enhance the decision-making capacity of local economic and social actors on the development process, to select how to support it during phases of transformation and innovation, and favours collective learning processes.

At this aims a step forward is borrowed by the institutional theory (Ash Amin), that underlines the need to promote intermediate forms of governance, building a local 'institutional density', which includes support systems for businesses, political institutions and social citizenship. In this framework, the relevance of a concentrated territorial organization which generates local processes of knowledge-acquisition and learning; networks of economic and social relations which support more efficient and less costly transactions; and the advantages of economic of the physical proximity among local actors is highlighted.

Although the approach is based on the neo-Marshallian theories as far as the conception of cumulative, endogenous and largely selective growth, engendering the virtuous circle in the form of learning processes, and localization economies, it goes beyond it overcoming the industrial district or system areas or industrialised local systems, embracing a more comprehensive model, where the territorial endogenous competitive and sustainable potential includes all the economic sectors, and the cultural heritage, with the shared aim of identifying the elements which determine long-period competitiveness, inclusiveness, and sustainability, and the conditions under which an area can acquire and maintain a role in the international scenario.

Other thoughts of reference are: J. R. De Souza Filho (1999) who identifies "two dimensions of endogenous territorial a development, the first being the economic one, and the second the socio-cultural one, where values and local institutions serve as the basis for the development of the region; S. Boisier and Goddard, who consider civil society, the local forms of solidarity, social integration and cooperation as the main agents of modernization and socio-economic transformation of a region; Antonio Vázquez Barquero (1988), who argues that endogenous territorial development, by considering and giving relevance to local civil society and its processes of organization and social relationship, allows to achieve a balanced and sustained growth in the long term, without entering in direct conflict with the social and cultural base of the region.

In this framework, three theoretical strands are highlighted in the ILS LEDA approach:

1. the valorisation of the development intangible elements (knowledge, learning, relationality, social capital) which come together to form local long term competitiveness, including all the sustainable economic, social, and environmental sustainability (sustainable competitiveness)
2. the relevance of the relational capital, either in building competitiveness through the re-elaboration of the marshalling district model into a more comprehensive neo-Porterian value chain concept, or in the territorial governance, based on the institutionalization of advanced forms of public-private multi-actors systems (territorial pacts or alliances), or in the creation of innovative knowledge and technologies, mainly using the Nonaka and Takeuchi (1998) concept of 'learning region' capable of integrating tacit or implicit traditional knowledg, which is tied to the local context, with the codified knowledge available worldwide, to stimulate the tee endogenous territorial potential, and in building a comprehensive system for supporting the economic processes (development agencies, one-stop-shops, incubators, etc.).
3. The glocalist concept of network and social dynamism: it is fluctuating, liquid, open, cosmopolitan; a process that moves between continuity and discontinuity.

This hypothesis is made at work for pursuing the following goals: fighting against poverty, mitigating not free migrations, gender equality,, social inclusion, socially and environmental sustainable development.

The overall development goals, therefore, goes beyond the classical concept of growth and its indicators, such as GDP, embracing the United Nation human development, and millennium goals, with particular reference to the Reduction of poverty, Well-being; Gender Equality; Green economy, Decent Work; Innovation; Reduction of inequality; Sustainable Cities and Communities; Partnerships to achieve the Goal.

The space is, then, conceived as diversified and stylized, and as basis for generating the territorial differences.

The R. Camagni (2002) definition is shared: territory is (i) a system of social and economic relations, which form relational capital (or social capital (Putnam, 1993) of a given geographic space, (ii) a local governance system, that brings together a collectivity, a set of private actors and a system of local public administrations in a process of "collective learning" (Camagni, 1991, Capello, 1999, Keeble, Wilkinson, 1999), (iii) a combination of material and immaterial elements, which, thanks to its proximity and the resulting reduction of transport costs, can also become pecuniary externalities, also according to the opinion of Krugman and Porter, for which external economies, skilled labour and innovation are geographically concentrated, and that said concentration offers some of the key developmental factors.

Nevertheless a particular effort is made for dimensioning the territory, and it is done in accordance to three variables:

1. The critical mass of resources enabling access to large markets
2. The proximity enabling a strong relational capital and participation
3. The administrative boundary and role in defining institutional territorial plans

Through this scheme it is obvious the reference to the meso-economic approach, and the choice of a flexible model, that has the following specificities:

- a) The over-municipal dimension in the case of meso areas (rural contexts, small and medium urban areas), avoiding micro-local and community traditional developmental actions. A different dimensioning applies to the large metropolitan areas, seeking for further articulation of the optimum developmental space.
- b) The bottom-up approach, but including strong relationships and feed-backs with the public policies and the national level (here the importance of the decentralised administration).

Rodriguez-Posé argues "the failure of traditional top-down policies, together with the challenges generated by globalization, has provoked a serious rethinking of the validity of ongoing development approaches by practitioners and scholars. The result of this rethinking over the last decade and a half is the emergence of a series of innovative bottom-up development policies, which are grouped under the rubric of local economic development (LED) (Stöhr, 1990; Amin, 2000). Although the change from top-down and centralized policies to a bottom-up LED approach has neither been established overnight, nor is it based on a clearly defined theoretical model, this model of tailor-made approaches to the development of territories has progressively been gaining ground as the foundation for new development strategies.

1.4 The approach main assets

1.4.1 The bottom-up, top down, closed spiral models

Bottom up vs Top Down

The top-down development approach refers to a decision making process, in which centralised authorities decide, select, and control strategies and plans, and their implementation, to be applied in an uniform way in all the parts of the system (administration, enterprise, big organisations, etc.).

In our case the "system" is a geographic entity, either a federation of countries, or a country, or a decentralised level (region, provinces, etc.), or a large metropolitan area.

This process has the following characteristics:

- It has clear lines of authority
- It can produce products (strategies and plans) in a relative quick way and counting on the best available professionals

- It is regulated by bureaucratic procedures
- It is standardised
- It has easy monitoring and control systems

By comparison, the bottom-up approach utilizes alternative ways for the decision making process, including the following:

- Decisions are taken by local actors
- Products (strategies and plans) adapt to the local context and vision, respond to differentiated needs, visions and economic life style, and –accordingly- are more effective.
- Changes in the products are easier and quicker
- Upstream monitoring and control are difficult, and could be even controversial to its general goals.
- LI New central role and competences are needed (coordination, networking, qualitative monitoring, regulations by feedbacks, etc.)

Both approaches could be either authoritarian or democratic.

The authoritarian approach refers to decision made by a unique elite (either at decentralised level), whereas the democratic one is based on the participation of the actors, which will benefit by the products of the decisions.

Of course the bottom-up approach better fits with a democratic model because of the proximity of the decisions to the area of their influence.

The bottom up paradigm was coined for agricultural and rural development in the late 1970s and early 1980s. It is commonly known as the 'farmer first' approach (it was applied to agriculture), or 'bottom-up' development and has greatly influenced the way that rural development is practised today. It put participation and empowerment firmly in the vocabulary of development. One of the names associated with the new approach is Robert Chambers, who claimed that the top-down approach to setting agendas and developing agricultural technology, traditionally practiced by the international research and development community, simply does not benefit the poor farmer.

At this purpose a large variety of participatory methods has been designed to help engage local actors in this process. These allow them, who are often illiterate, to communicate their knowledge and preferences and are designed to empower them in their dealings with external agencies. They enable local actors to identify and analyse problems, set priorities and plan solutions.

Clearly, participation processes are vastly more time-consuming than centralized ones, and it is used for highlighting time and resource costs (often increased by the capacity building for covering the incompetence of the local actors) not justified against the benefits.

On the other side these controversial take in account only a short vision of development and the achievement of quick quantitative impact results, without contemplating the value of upgrading responsible commitment and of the collective learning process of local actors, who are the real protagonist of the development. Only shaping it in accordance with their vision and interests, the development is stronger and more sustainable in the long period.

A third way consists in the mixed method, as suggested by Alphonsus Isidiho and Mohammad Shatar B. Sabran's, in order to balance the dichotomy thereby filling the research gap in search of most appropriate development method.

According to the authors “the mixed approach in community development enables the operators to blend the top-bottom and the bottom- up and such mix realigns and complements each other so as to achieve the goals of community development which involves both the top and the bottom where neither the people at the top nor at the bottom complains”. Furthermore “it is in line with the assertions of Arcand & Wagner (2016, P.122) as they stated that “grassroots-level development projects to be successful, need contextual factors to be integrated into

The mix approach

program design and implementation, since they shape local participation”, and overcome the difficulty of some local communities so poor and uneducated that they cannot fashion out developmental projects/programmes on The mixed approach could be either top-down or bottom-up driven, dependent on the qualitative input flows regulating the process.

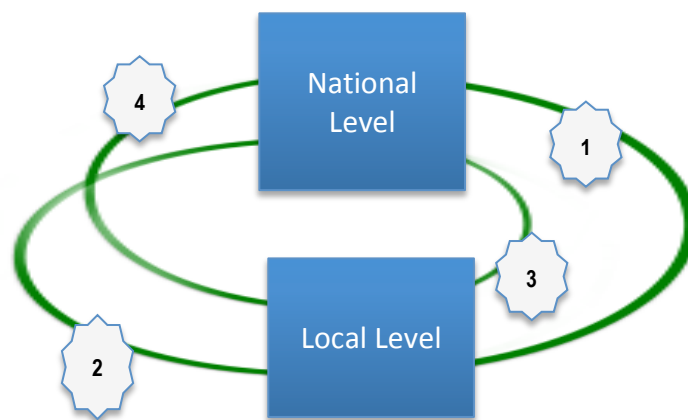
An optimum choice could be assigning the task of establishing the global goals, the monitoring quantities and qualitative general indicators, the timing schedule for the realisation of the products to the central part of the system, and the analytical and operational contents to the decentralised part.

Additional effort shall be established for regulating the information flow, and the feed back.

This procedure alligns to a mixed bottom-up driven model.

The closed spiral model

Accordingly, ILS LEDA proposes a fourth way: the “closed spiral” model, that integrates the previous three, gives the appropriate voice to the local communities, without excluding the governing role of the national government.



Four circular steps compose the closed spiral model.

1. Central authorities provide guidance to the strategic planning exercise, in terms of global goals and priorities, templates for the elaboration, the indicators, and the time schedules.

In the high democratic version all these elements are the result of consultations with the local representatives.

2. The local level makes decisions about what are the priorities, the contents of the strategies and plans, the ways how to implement them, the beneficiaries, the expected results, and the needs to be accomplished by the local and the national level.
3. These elements are the inputs for central authorities for systematizing and harmonizing the national policy, and provide the corresponding financial resources and possibly the necessary capacity building.
4. The local level implement the strategy and provide feed-back to the national authorities, through the monitoring system.

The National authority includes these inputs in the monitoring system and updates the general guidance, and the

spiral starts a new round trip.

1.4.2 Space and spatial dimension

In
Philosophy

Two important thinkers who give a contribution in defining space, place and the differences between these concepts are philosopher Yi-Fu Tuan and geographer Edward Relph. They have almost the same ideas about the distinction between space and place.

'Space' can be described as a location which has no social connections for a human being. No value has been added to this space. No meaning has been assigned to it. It is more or less abstract (Tuan, 1977, p. 6).

'Place' is in contrary more than just a location and can be described as a location created by human experiences. The size of this location does not matter and is unlimited. It can be a city, neighbourhood, a region or even a classroom etcetera. In fact a 'place' exists of a 'space' that is filled with meanings and objectives by human experiences in this particular space. Places are centers where people can satisfy their biological needs such as food, water etc. (Tuan, 1977, p. 4).

Relph tries to maintain the relation between space and place and not present them as separated concepts, since the quality of place is that it has the power to order and to focus human intentions, experiences and actions spatially (Seamon & Sowers, 2008). "So space and place are dialectically structured in human environmental experience, since our understanding of space is related to the places we inhabit, which in turn derive meaning from their spatial context" (Seamon & Sowers, 2008)."

In Geography

The greatest influence on the integrative appropriation was exerted by Anthony Giddens' structural theory.

Giddens assumes that the social sciences, with the exception of geography, did not give importance to the construction of social systems shaping along the time-space axes of dimensions. As a starting point he uses Torsten Hagerstrand's time-geographical framework to describe the organization processes of social institutions and social existence in the dimensions of time and space. The emphasis is on the routine character of the everyday activities according to which every individual follows a path (that can be modeled both in space and time). He states every interaction lasts for certain time and takes place in a certain location (space). With the conceptualization of space Giddens introduces two basic concepts: locality and accessibility.

Accessibility refers to the ability of the actors to interact, which depends on their physical *proximity*. Accessibility, however, depends on the physical characteristics of the context and other attributes of the environment including the so called "stations" which constitute the junctions of social interactions (including the cities or their central districts, etc.).

The concept of *locality* refers to the use of space, which determines the context of interaction. Concerning the use of space Giddens does not mean the traditional categories of land utilization (forest, meadow, etc.) but the material culture manifesting the results and conditions of activities.

Local in Giddens' sense is used in a rather wide sense referring to entities with rather different contents including a flat, a corner of the street, a town, a village or a nation state defined by its political borders. It is important to remember, however, that all the above indicates the context of the interaction only. According to Giddens localities are regionalized which means nothing else but the definition of how the activities of the individuals split into time-space zones. Accordingly, he distinguished three forms of spatiality:

- spatiality as a region;
- spatiality as the centre-periphery nature of locality;
- spatiality as the fixed endowments of the institutions and conventions.

According to Giddens space is important because it enables the creation of interaction systems, i.e. space (spatiality) is the basic factor for activity.

He, at the same time, tries to eliminate the conflict between structure and action. According to him *structures* (i.e. the total of rules and resources, and the not material space structure) either allow or block the shaping of activity-types while the individuals with their *actions* either recreate or alter the structures.

From the above comes the dualistic character of the social structures as they constitute the conditions of action and reproduce itself as the outcome of action.

In Economics

MAs Andrew Sheng and Xiao Geng argue “ traditional economic theories are articulated in the two branches of micro and macro economy. The Nobel prize Ronald H. Coase has complained that microeconomics is filled with black-box models that fail to study the actual contractual relations between firms and markets. He pointed out that when transaction costs are low and property rights are well defined, innovative private contracts might solve collective-action problems such as pollution; but policymakers rely largely on fiscal instruments, owing to economists’ obsession with simplistic price theory. Another Nobel, Paul Krugman, has claimed that macroeconomics over the last three decades has been useless at best and harmful at worst. He argues that economists became blind to catastrophic macro failure because they mistook the beauty or elegance of theoretical models for truth. Indeed, current g mainstream micro and macroeconomic models are insufficient for exploring the dynamic and complex interactions among humans, institutions, and nature in our real economy. They fail to answer what Paul Samuelson identified as the key questions for economics: 'what, how, and for whom are goods and services produced, delivered and sold, and rarely deal with where and when’.

There are at least two other divisions in economics that have been neglected: meso-economics and meta-economic. **Meso-economics** studies the institutional aspects of the economy that are not captured by micro or macroeconomics. By presupposing perfect competition, complete information, and zero transaction costs, neoclassical economics assumes away the need for institutions like courts, parties, and religions to deal with the economic problems that people, firms, and countries face.

By contrast, the economists Kurt Dopfer, John Foster, and Jason Potts have developed a model in which an economic system is <a population of rules, a structure of rules, and a process of rules>, able to study the actual web of contracts, formal or informal, in family, corporate, market, civil, and social institutions. Doing so provides a natural linkage between micro and macro, because the micro-level rules and institutions typically imply macro-level consequences.**Meta-economics** goes still further, by studying deeper functional aspects of the economy, understood as a complex, interactive, and holistic living system. It asks questions like 'why an economy is more competitive and sustainable than others', 'how and why institutions’ governance structures evolve', and 'how China developed four global-scale supply chains in manufacturing, infrastructure, finance, and government services within such a short period of time'.

In order to study the deep hidden principles behind human behavior, meta-economics requires us to adopt an open-minded, systemic, and evolutionary approach, and to recognize the real economy as a complex living system within other systems. This is difficult, because official statistics mismeasure – or simply miss – many of the real economy’s hidden rules and practices.

The author believe that the framework of micro-macro-meso-meta-economics –what he calls **systemnomics** – is a more complete way to analyze human economies, understood as complex living systems evolving within dynamically changing complex natural systems.

The space in the mesoeconomy

Mesoeconomics better explain the value of the space and territory in economy.

R. Camagni (2002-1) defines territory as it follows:

- a system of social and economic relations, which form relational capital (Camagni, 1999) or social capital (Putnam, 1993, World Bank, 2001) of a specific geographic space.
- a system of local governance, which brings together a collectivity, a set of private actors and local public administrations in a process of "collective learning" (Camagni, 1991a, Capello, 1999, Keeble, Wilkinson, 1999)
- a system of territorial technological exteriorities, for example, a combination of material and immaterial factors that, thanks to their proximity and the resulting reduction in transport costs, can also become pecuniary externalities; These include "reduced transaction costs, economies of scale of agglomeration, and the

advantages of skill or technology associated with specialization. The opinion of Krugman and Porter is that external economies, skilled labour and technological innovation are geographically concentrated, and that such concentration offers some of the key factors for growth and competitiveness.

This thought is confirmed also by Bramanti (1998), who highlights the concept of milieu, defined as a collection of territorial relationships, grouped into a coherent whole, where diverse social actors, with specific culture and its own system of representation give rise to a dynamic learning process that requires the coordination and integration of production and innovative processes in the space and time. This coordination implies a reciprocal exchange of information and needs and even a naturally proximity. The environment then operates as an organized market type, in which not only prices and quantities are exchanged, but also information, codes, languages, routines, cosmologies, and strategies.

Roberta Capello underlines as space influences the way an economic system works. It is a source of economic advantages (or disadvantages) such as high (or low) endowments of production factors. It also generates geographical advantages, like the easy (or difficult) accessibility of an area, and a high (or low) endowment of raw materials. Space is also the source of advantages springing from the cumulative nature of productive processes in space: in particular, spatial proximity generates economies that reduce production costs (e.g. the transportation costs of activities operating in closely concentrated value chains) and, in more modern terms, transaction costs (e.g. the costs of market transactions due to information gathering).

Finally territory is, then, a geographic space or milieu that generates an effective development, thanks to the proximity and correspondent basic developmental elements such as governance, collective learning, scale and agglomeration economies, easy access to externalities.

The territorial dimension: administrative boundary, critical mass of resources, participation

Question is “what is the dimension of this geographic environment or agglomeration”, or, in other words, “what is the optimum dimension that enables the fundamental characteristics of territorial development?”

ILS LEDA proposes the following formula.

As anticipated in the chapter 1.2, the variable which play a role in this definition of the Territorial Space T_s , are:

AB= The administrative boundary

Cr= The critical mass of resources

Pr= The level of participation

Critical mass of resources (Cm)

Take two territories “A” and “B”. “A” produces 100 Kilograms of apple, B 1 tons.

“A” count on a archaeological site, “B” on a archaeological site, a nice old town centre, a marvellous beach.

What of the two areas have real chances of pursuing markets beyond the local one?

At this as aim, in fact, scale economy is relevant, for reducing transportation costs, and multiplying income.

A very unique good or service could, of course, achieve far markets because price is less important, but it will have scarce impact on the overall economic development in terms of employment or income.

The relationship between T_s and Cm is a direct one: $T_s = f(Cm)$.

Larger the territory, more the possible critical mass.

Participation (Pr)

On the other hand, the possibility for real participatory mechanisms governing the territorial economic process (see paragraph 4.3) is greater if applied at a quarter, or a community, or a village, that at a large area of millions of inhabitants. At small scale, in fact, the need is closer to a direct expression, where at a very large as scale refers to a

second or also a third level of delegation: people at the bottom level (community, village) elect delegated at a first intermediary level (municipality, district), who elect delegated at a third level (province, region).

There is, indeed, another element to be taken into consideration for a territory to enable real democratic participation, above the figures on population or residents.

It is evident that people can provide direct participation if it has an affordable cost.

In turn, affordable costs are related to the level of income. For some people spending 50 dollars for paying its participation cost (time, transportation, daily expenses) is an affordable figure that is considered impossible for other ones.

In any case the affordable cost is directly related to distance, and more concretely to the time needed for achieving the place where participation is exercised, and time depend on distance and means of transport, and related costs.

Provided four hours can be considered fair figure for allowing one-day time consume for participating to the participatory meetings, it can be spent either for running 1000 km with a fast train, or 160 km with a collective bus running slow roads.

In other words the relationship between T_s and P_r is inverse $T_s = f(1/P_r)$, where $P_r = f(t1/t)$, and $t = f(d,c)$, where t =time, d =distance, c =cost.

Finally $P_r = f(1/d,c)$

Administrative Boundary

The Administrative Boundary is an independent variable.

Provided a territory has enough critical mass of resources, and enables real participation through affordable distance and costs, the other question is how to facilitate a sustainable planning exercise, provided the national regulations about mandates and responsibilities, and decentralization policies. This is important because public policies allocate responsibilities and finance for the implementation of the plans, and it could benefit or not territorial economic processes.

It means it could be an ensemble of small municipality, a big city, a district, or a province or a region, or any other administrative boundary constituting the national decentralization.

This is a complex questions, that could have at least two extreme complicated cases.

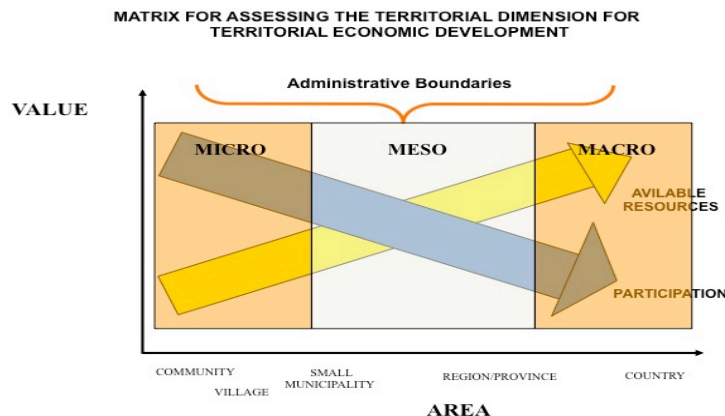
Case 1: plans are endorsed only at municipal level (or first level administration) that does not have critical mass of resources

Case 2: critical mass of resources refers to territories, whose planning exercises are in charge of different second level administrations.

Any way the final equation is $T_s = f(AB, C_m, P_r)$

That is a territory corresponding to an administrative level of planning and relating to the area where the maximum possible critical mass of resources is compatible with the maximum possible participation.

All this formula is described by the following picture.



1.4.3 Social capital: the value of the participation

Social Capital:
networking,
cooperation, value
sharing

Putnam (1995) states social capital are "features of social organization such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit".

Pennar (1997) defines social capital as "the web of social relationships that influences individual behavior and thereby affects economic growth"

Fukuyama (1997) argue social capital is "the ability of people to work together for common purposes in groups and organizations, according to certain set of informal values or norms shared among members of the groupment that permit cooperation among them"

OECD defines it as "networks together with shared norms, values and understandings that facilitate co-operation within or among groups", and it specifies the forms of networks can be:

- Bonds: Links to people based on a sense of common identity ("people like us") – such as family, close friends and people who share same culture or ethnicity.
- Bridges: Links that stretch beyond a shared sense of identity, for example to distant friends, colleagues and associates.
- Linkages: Links to people or groups further up or lower down the social ladder.

The crucial aspects of social capital are, then:

- ❖ Relationships/Networking
- ❖ Coordination/Cooperation
- ❖ Sharing norms and values

Participatory
models

Provided social capital is one of the main features for territorial economic development, and particularly for making it competitive and sustainable in the long term, question is how to make it at work, and it has to do with how it allows participation in the economic cycle.

- 1) Consultative participation (participation on inputs)
- 2) Approval participation (participation on outputs)
- 3) Semi-decisional (quasi-participation on decisions)
- 4) Decisional (participation on process)

The consultative participation happen through Assembly, Forums, consultative committees, conferences, etc.

Decision makers (generally public administrations) organise and call the participatory mechanism, through which linking the participant actors, establishing cooperation, and sharing vision in order to receive inputs on the object of the consultation: development strategy, planning, construction of a big infrastructure, distribution of water, etc.

The scope is to receive inputs from the various part of the society, for then taking the caller makes autonomous decisions.

Example of this kind of participation are the European national conferences State-Regions for articulating commitments and finance, the Latin American competitive committees, the territorial development fora, etc.

The approval participation happen through similar mechanisms, but a different object, which deals on selecting priorities about already prepared alternatives by the caller, that is generally a public administration.

The scope is avoiding following social conflicts on delicate decisions and delegating it to a collective mechanism.

Typical example is the referendum either confirmative or repealing about two alternatives.

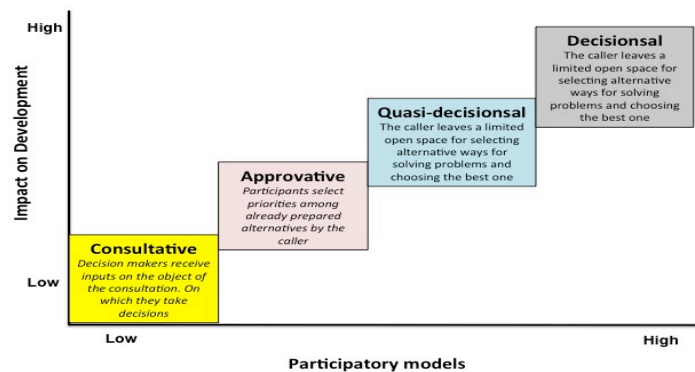
The quasi-decisional participation happens when a caller, generally a public administration, leaves a limited open space for selecting alternative ways of solving problems and choosing what the best one.

Typical example is the participatory budget, in which a collective committee has to decide how to spend a portion of the public budget for improving the life of citizens.

The Decisional participation allows to decide about what specific objectives, process and priorities establish for the well-being of the community.

Typical examples include the European territorial pacts among local actors, the European negotiated planning exercise, and regard also certain types of implementing structures that take operational decisions about how to provide services, such as the Local Action Groups, the Regional Development Agencies, the Local economic development agencies, agencies for employment, incubators, technological parks, etc.

The impact of the participatory mechanism on territorial development is low in the first case, just appreciated in the second one, and higher in the third and fourth ones.



Specific aspects of the above mentioned participatory models are:

Participant actors, public private partnership, efficiency, level of formality.

Who are the participants

Participant actors are:

Public administrations: local authorities, decentralised institutions of the central state

Economic sector: minerals, agriculture, livestock, fishing, industry, arts and craft, tourism, sport, basic services (water, electricity, telephone), transportation, ICT, entertainment.

Social sector: Ngos committees to social problems, Associations of women, young people, disabled, workers trade unions, community and village development associations, human right associations, etc.

Educational sector: Universities, Colleges, Vocational Centers

Research: Research Institutions, Science Parks, Technological Transfer Centres

Cultural sector: arts, cultural institutions and associations, indigenous associations, religious institutions, and associations

Financial sector: Banks, Financial Institutions, Micro finance institutions and associations

Environmental sector: Institutions and Ngos safeguarding environment,

Economic Services: Chambers of Agriculture and Industry, Business Services, Development Agencies, Service Providers Companies and Professional, Technological Parks, Employment Agencies, Incubators, Business Innovation Centres, etc.

Who participates?

When applicable, representatives of each category of each sector shall be elected for participating to the collective participatory entity.

It depends on the existing associative forms or sector networks.

If associations or networks of each category of each sector exist, then it is quite easy form a superior level of territorial network including everybody

Reality not always is close to such model. There are, at least two deviations.

1. Many actors are not associated or networked
2. Many existing associations or network have few members, or exist only on the paper, and not represent really the category.

In these cases time shall be spent for stimulating and facilitating at least informal and embryonic kinds of grouping with a minimum capacity of representing the problems of the category and willingness of increasing the number of participants (see the ILS LEDA PASC method in Room 5).

Experiences show the network will grow as soon as it will bring benefits to participants, band break the mistrust to collective governance.

The public-private partnership models

Public-private-partnership

This triple term often generates confusion and misunderstanding, when not accompanied with some qualification.

In general there is a broad consensus partnerships may serve various purposes, such as implementing normative standards or codes of conduct, or to share and coordinate resources and expertise. They may consist of a specific single activity, or may evolve into a set of actions or even an enduring alliance, building consensus and ownership with each collaborating organization and its stakeholders. While they vary considerably, such partnerships are typically established as structured cooperative efforts with a sharing of responsibilities as well as expertise, resources and other benefits.

In the European Union the term “public-private partnership” refers to forms of co-operation between public authorities and the private sector which aim at ensuring the funding, construction, renovation, management and maintenance of infrastructure associated with the provision of a service. (European Union, 2004).

As part of the analysis of the European Union Green Paper, it is proposed to make a distinction between:

- PPPs of a purely contractual nature, in which the partnership between the public and the private sector is based solely on contractual links. We'll name it **PPCP**.
- PPPs of an institutional nature, involving cooperation between the public and the private sector within a distinct entity. We'll name it **PPIP**.

Each one of the two groups could be then in turn articulate in 4 different typologies, according what kind of private sector and/or other actors are the main contracting body.

- **One business:** when the main contractor is just one private enterprise for the execution of the object of the partnership.
- **Multi-businesses:** when there is more than one private enterprise as contractor.

- **One Non-State actor:** when the main contractor is other but private enterprise, such as NGO, private foundations or associations of civil society.
- **Multi-Stakeholders,** when more than one non-state actor is involved in the partnership. The following table shows the most spread PPP used in each one of the cases (grey boxes).

The PPCPs is a partnership that refers to a purely contractual nature, and based on contractual links. There are a variety of forms of private sector involvement in service delivery (UN-Habitat, 2011). The simplest are service contracts to provide a specified service for an agreed payment and duration (for example, street sweeping, revenue collection, waste collection, transportation, etc.). Under management contracts (also known as Operation & Maintenance contracts), the contractor has more responsibilities, although with infrastructure or equipment remaining in public ownership.

In this context, one of the best-known models, often referred to as the “concessive model” is characterized by the direct link that exists between the private partner and the final user: the private partner provides a service to the public, “in place of”, though under the control of, the public partner.

In other types of set-up, the private partner is called on to carry out and administers an infrastructure for the public authority (for example, a school, a hospital, a penitential centre, a transport infrastructure). A new procedure known as “competitive dialogue” may apply when awarding particularly complex contracts.

In PPIP, the establishment of an entity held jointly by the public partner and the private partner is recommended. The joint entity has the task of ensuring the delivery of a work or service for the benefit of the public.

Direct cooperation between the public partner and the private partner in a forum with a legal personality allows the public partner, through its presence in the body of shareholders and in the decision-making bodies of the joint entity, to retain a relatively high degree of control over the development of the projects, which it can adapt over time in the light of circumstances. It also allows the public partner to develop its own experience of running the service in question, while having recourse to the support of a private partner.

In this framework the Multi-Stakeholders Institutional Public-Private Partnership (MIPPP) allows a more effective and efficient task to promote and support territorial economic development, because it

The level of formality

As far as the formalization of the partnership, it has to do with several aspects

- The formality of the members
- The formality of the collective mechanism

Formality of members

We could have a full formality when all the members for each of the above mentioned categories are legal entities.

In this case each one of them will appoint the legal representative or a person delegated

We could have semi-final formality when not all the members are legal entity.

In this case each non formalised entities will appoint a representative just signing an agreement where the one or more persons are delegated, and his/her commitment in regard to the signers.

Formality of the collective mechanism

The collective mechanism could be legally formalised or not.

The legal aspect corresponds to the legislation of the country.

At this regard not in all the country legislation allows public-private partnership. Often limitations are raised public administrations, for political or financial (Public budget control) issues.

If this is the case, the way how to give solution to this problem are:

- The public administration representatives form a private association. The constrain is when representatives change, the association shall be modified
- A memorandum of understanding is signed between the legal only private collective mechanism and the Local administrations (often only bilateral agreements are allowed).

The agreement or memorandum of understanding rules the relationship between the parts, and mainly the way how to share decisions

- The establishment of a side committee participated by the local administration either by statute, if allowed, or through internal regulation.

In these cases local administrations can influence descriptions in two different ways:

- The decisions taken by the Assembly of the Partnership mechanism are operational only if approved by the majority of the Local administrations
- The local administrations have only a consultative role that commits the partnership assembly to take it into account. Of course it is interest of the partnership taking in the best consideration the recommendations of the Local administrations, if they want to maintain them into the partnership mechanism.