



The Challenges and the Consequences of Regional and Local Development

Francisco Xavier Albistur Marín

Comments to the document

“The Impact of Globalization: Opportunities and Challenges for Glocal Development in
Europe, Latin America and the Caribbean”
by Giovanni Bressi

I. Introduction: Fomenting development with imagination

The most positive aspect of the process of globalization is the opportunity to choose a form of development that becomes a reference point in the international market. The challenge of globalization involves taking active, participatory stances, mobilizing both markets and institutional relations, affecting not only companies, but also citizens, governments and institutions in each developed or emerging society. It requires a great effort of imagination, first to analyze and then to identify a region's own capabilities and the bases for competitive advantages to enable it to establish a strong presence in the global market and to choose the best strategy, either individually or in collaboration with other societies.(1)

However, in addition to the process of globalization, we must also recognize recent changes in the theories and concepts of development. Despite the resistance of some economic theorists to accept the relationship between their discipline and political decision-making, the change in concepts and ways of understanding economic development is related to the crisis of the all-encompassing State, the processes of continental integration and the extension of democracy towards new channels for civil participation in political processes.

Economic research has abandoned “spaces” in favor of “territories” Spaces focused on location and organization. Territory involves a set of economic, socio-cultural, political and institutional factors and agents with specific organizational and regulatory formulas.(2) This different perspective leads us to consider a new notion of development based on the idea that all social-territorial organizations use and

mobilize resources that constitute their potential for development and have the capability to take the lead in their own development processes.

This approach to development identifies the influence of local production systems on growth processes in such a way that local initiatives – so-called local or endogenous development – have become the preferred instrument for regional development policy, the main goals of which must be:

- to favor the accumulation of capital in local production processes.
- to make efficient use of local economic potential.
- to link each territory with the web of relations that determine the cultural, social, economic and political identity of a State.
- local public and private agents must be responsible for investments,
- control of growth process and the distribution of income.

Returning to the context and the challenges of the process of globalization, it could be said that regional development swaps conventional economic growth for locally-based growth aimed at raising the standard of living of the local community in at least three ways:

1. First, economically, based on a production system in which businesses are interrelated, efficiently using elements of production and reaching market levels of productivity and competitiveness.
2. Second, culturally, with the development process supported by social institutionalization.
3. And finally, third, politically, so that local initiatives promote a social climate favorable to investment, the creation of business and increased training and technological know-how.

II. The regional experience in Europe.

2.1. Peculiarities of regional development in the European Union.

Europe has had long experience with regions taking a leading role and with supporting local initiatives as instruments for economic growth. However, certain phenomena related to the process of globalization, such as attention to international market demand caused by lower tariff barriers and the interior economic mobility caused by the process of European integration have strengthened recognition of the function of regions and of the added value they bring to the growth of member states, as well as to the process of internal convergence in the European Union.

The role of European regions has been recognized in three ways:

1. Demands presented by regional social and economic agents to the central government for greater initiative and control over political, economic, social and cultural matters affecting regions.
2. Consolidation of regionalization as a result of efficient action by Europe's constitutionally-recognized regions.
3. Decisions by governments with centralist traditions to carry out administrative and territorial decentralization have given a more important role to the middle levels of administration and government.

In the eighties, "regional recognition" in Europe was based on the territorial solutions proposed in the context of processes of sectoral restructuring. In the nineties, the leading role of regions made it possible for them to participate in the state reforms that were a necessary part of the process of European integration, for example control of the public deficit.

This development in the exercise of forms of government has contributed to a transformation in the meaning of public administration.

In the present decade, reinforcement of the regionalizing process in Europe is associated with the effects of globalization that have led states to strengthen continental integration. European states have therefore given up some of their traditional regional planning policies and taken on functions related to integration (as a result of new endogenous development policies) involving a reassessment of territorial resources, quality of life, skilled labor and the environment, all of which has proven to be better managed at the sub-national or regional levels.

The decisions made to reduce State presence through restrictions on budget programs or increased privatizations have fomented decentralizing reforms in the form of assistance and educational plans, agricultural reform, reindustrialization projects, support for tourist activities and new services, transport networks, the introduction of advanced technology, etc....

The result has been a new form of public management that does not imply a weaker State, but rather a different conception of the functioning of a modern State in a continentally integrated and globalized economy. This means "less government" at the central level in order to obtain "better government" on the whole.

This trend affects all the states of the European Union; however, this does not necessarily imply the existence of a regional European space, since there is no uniform or homogeneous level of regional

government in the juridical, political or administrative spheres. The European regional reality is varied and heterogeneous in terms of its territorial make-up, forms of government and regional policies.

2.2. New forms of regionalism. Cooperation and associationism.

The heterogeneity mentioned above also affects the functions that correspond to regions. A common feature of regions is the power to plan and program their economic activities and public social services. These powers vary according to the system of government provided by the constitution of each state.

Three cases can be considered:

1. Regional institutions that amount to de-centralization of the national administration, without legislative representation.
2. Decentralized regional institutions that co-exist with the national administration, having legislative representation only at the regional level.
3. Regional institutions of federal states (or those based on autonomous regions) with powers recognized by the constitution, participating in national politics with their own legislative bodies.

The existence of a heterogeneous regional level in the European Union does not reduce the importance and influence of regional policies on the policies of member states and on European Union policies. In fact, there has been a clear movement common to all regional formulas – one of the unplanned consequences of European integration and the globalization: regional development analysts call it “bottom-up activity”, meaning a regionally-based political will to be present and take part in the processes of integration and globalization. (3)

This movement is characterized by:

- Being a position assumed by regional political and economic institutions.
- Fomenting action involving trans-border and trans-national interregional cooperation.
- The internationalization of regions is considered a regional function that completes and determines the dimensions of a region’s political and economic actions.
- The reduction of customs barriers, the mobility of goods and persons and support for free competition aimed at the creation and promotion of market integration and globalization.

The most significant result of this movement can be seen in the initiatives for inter-regional cooperation on a trans-border and also trans-national scale. This form of cooperation is bilateral or multilateral and the regions involved may or may not have territorial borders. What they do share are projects with common interests and results (in the case of infrastructure) or else their relations focus on promoting

matters of general interest (tourism, representation in EU agencies, research, environmental policies, etc.).

Cooperation promotes the creation of inter-governmental working groups and inter-regional institutions to manage cooperation. These initiatives have encouraged similar action on the part of large European cities and smaller municipalities with similar problems (for example, the mountain economies of the Alps and the Pyrenees). CHART.

Inter-regional cooperation has not only promoted relations among regional governments; rather, in most cases, this has led to autonomous management by other institutions such as universities, chambers of commerce and other business organizations, research centers, cultural associations, etc.

Combined action at the regional level has taken other, more informal, forms of association, known as “inter-regional clubs” to exchange experiences, agree on specific interest projects and carry out consultations on integration and international cooperation for development, etc.

The “bottom-up” movement is a new formula for regionalism that complements historical regional action. It gives European regions a new role in European integration and influences the decision-making of member states.

The regions have been aware that delays in the process of European construction have not favored the development of regional and local policies. As a result, they have set out to guarantee themselves an important place among European institutions (Commission and Parliament), as well as ability to directly implement European regulations.

In order to meet these objectives, representative bodies have been created or regional European programs have been created by organisms of the Commission.

CHART.

This form of association has enabled regions to plan strategies at the European community level:

- Ensuring that the principle of subsidiarity prevails in the juridical basis of the Treaty of the Union.
- Recognizing regional representation in the Union’s institutional system.
- With direct access to the Court of Justice.
- By restructuring article 146 of the European Community Treaty, some regions may exercise the right to vote along with their country in the European Council.

It is undeniably true that progress has been made in regional European policy. However, a rigorous analysis inevitably leads to the conclusion that some of the powers attributed to regions are merely symbolic in government bodies of the Union and in its parliamentary representation.

Nonetheless, the powers subject to community law and implemented by regions as endogenous development policies (the environment, regional planning, aid to business, promotion of agricultural, job creation, education and social assistance, among others) have required legislative and constitutional changes in member states in order to transfer to regions powers that were previously exercised by the state, such as control over economic, social and cultural issues, with the corresponding provision of material and human resources, budget allocations and legal recognition of the capacity to apply community law in the transferred areas.

In conclusion, the regional reality is undeniable at the national and European levels. The advances and influence of regional policies lead to the question of the function of regions in the future of Europe. This phenomenon must be closely studied and observed since it is tending to create a third level of government in Europe that may establish itself as a coherent and balanced system for European “governability and governance” Regions have chosen to become legally recognized actors in European construction.

The regional and local levels have increasingly become the spaces where a territory’s human resources are organized and mobilized. Europe will not be governable unless citizens are encouraged and mobilized by the recognition and effective participation of their regions in EC decision-making processes.

In this sense, the fundamental right of citizens to take part in the definition and implementation of European strategy and policy-making is directly related to the involvement of sub-national levels in European government.

III. The state of the regionalizing process in Latin America

3.1.- The involvement of a necessary and efficient State.

In Latin America, we are increasingly seeing an intellectual and political posture predisposed to focus development policies on the implementation of models for political and economic decentralization and formulas for endogenous or local development already tested in other developed economic areas. The idea is to search these instruments and experiences for more efficient ways to position their respective countries (and the continent in general) in the best possible way to respond to – and obtain results from – the globalization of markets.

One distinguishing feature of Latin American countries in general is the need to change their development model. This affirmation is made considering two facts:

1. The development model must respond to the cultural characteristics and the potential inherent to the territory and must also provide opportunities for political, social and economic interaction with neighboring territories, nations and States.
2. The model must be supported by a strong, internally cohesive state that is institutionalized at the public and private levels, with fair and redistributive tax policies and influence that is either inherent to the state itself or achieved through alliances in the integration processes in which it takes part.

After decades of “testing for development” with statistically spectacular economic ups and downs, half of all citizens of the sub-continent feel that their parents’ generation lived better than they do and are pessimistic regarding the chances of their children living in conditions better than the present ones.

Economic decisions have taken precedence over individual or institutional political decisions, contributing to the devaluation of the planning, regulations and participation of development agents. However, an analysis of current Latin American politics in general reveals that this form of public action is being abandoned. The leaders of the new democracies seem to be indicating that the goal is not only the consolidation of political freedom, but also the construction of legitimacy, both internal and external, as well as sufficient governability to change development models(4).

The 20th century ended with the relativization of “structural adjustment programs” based on less government, general deregulation of the economy, devaluation and privatizations. The net results of these measures - implemented by multilateral institutions that have provided information and control, such as the Inter-American Development Bank and the World Bank – bear witness to the insignificant results of development that is not accompanied by radical reform of state institutions and by an efficient state.(5)

Consistent monitoring of the development situation in Latin America (applying only the most conventional indicators) clearly reveals that since the so-called Washington Consensus, no Latin American country has been able to maintain long-term reductions in poverty levels or improve the quality and standard of living of its population. As a result, as one political analyst has concluded, it is not the present-day State that must be re-founded; rather, a necessary State must be created, with functions and institutions appropriate to the new model of development.(6)

There are three tasks that seem essential in the Latin American political and economic panorama: the recreation of the institutional state, increased integration among states and the inclusion of the market in the process of globalization. Among the ways of finding a comprehensive answer to this complex

challenge, decentralizing formulas and local development have revealed themselves as instruments for correcting the State's incapacity and failures in the area of development and also as factors that contribute to integration and to the process of globalization.

Proponents of this option favoring development and political and economic reform consider it a theoretical groundwork that can be practically applied to the creation of the aforementioned necessary and efficient State, since it facilitates greater and better participation by civil society while also strengthening the latter, as well as allowing the implementation of expansive and redistributive public policies.

3.2.- Decentralizing formulas as a way of creating the State

The processes of transforming the State's territorial action – i.e. processes of decentralization and regional recognition – have begun to play an influential role in dynamizing politics and the economy and in the management of the so-called new democracies. Demand by public and private institutions to implement decentralizing formulas:

- is socially significant and influential in countries in processes of rapid integration, exporting economies, and countries with a territorial structure (states or provinces).
- is significant in local institutions, among their political leaders and economic agents and in countries where the State is immersed in serious political and social crises that limit or incapacitate its internal development functions.
- is growing in countries with specific communities that have great demographic weight or special ethnic, linguistic or cultural features.
- is weak in countries that are small demographically or territorially, in those with little urban growth and in those not involved in processes of integration. However, proposals for local endogenous development are strong in these countries.
- is weak in countries with centralist or federal traditions but which have been governed by regimes with pronounced populist tendencies and where economic and social activity has been conditioned by elites and institutions closely linked to the governing regime. However, the demand for decentralization and local power is included in new proposals for political change.

In summary, it could be affirmed that until the 1990s, development-related policies were implemented through central governments. Recently - since the turn of this new century - participation by regional and local has begun to increase, based on new arguments that defend their participation as a key factor for social and economic development in Latin America.

However, the practical construction of these processes of regionalization in Latin American political and economic activity means overcoming a number of obstacles and contextual inertia. If regional policies are characterized as a “key factor” it is because of their potential for introducing many innovations in public functions affecting politics, the economy and culture.

In the political arena we find:

- introduction of a new conceptual model of State organization.
- adjustment of State structures, of governmental management and of public policies in order to obtain greater social integration and political cohesion.
- decentralization promotes the efficient use of public resources at all levels (central, regional and local) in the application of the principle of subsidiarity.
- increased political capacity of regional and local governments through transfers of decision-making powers, financing and management.
- reorientation of political parties toward new institutional reference points with autonomous political activity and direct public control.
- an increase in the number of political actors and institutional representatives, accompanied by greater social control over the actions of public political agents.

Significant economic factors include:

- reduced State presence and therefore changes in its relationships with economic and social actors, which are taken over by other public management bodies.
- development strategy is aimed at consolidating an interior market and promoting territorial opening (internationally).
- changes to State standards and regulations in order to offer decentralized services that are an exclusive public sector responsibility.
- introduction of new fiscal policies for self-financing of decentralized powers and services.
- adoption of specific regional and local policies to dynamize and boost economic activity.
- implementation of policies and compensation funds for attending to economic imbalances among regions.

Cultural considerations include:

- coherency among decisions involving decentralization and those affecting cultural diversity.
- promotion of greater social coordination.
- fomenting citizen participation both directly and indirectly by recognizing and stimulating civil associationism.

- development of widespread respect for the legitimacy of government institutions and their democratic representation.
- providing administrative channels for citizens' demands to participate in the definition and management of the most immediate or pressing problems in the community.

3.3. The regionalizing process in the Latin America context.

The development model is based on policies of territorial decentralization and endogenous development rooted in the plurality of Latin American cultures. Obtaining a positive response is essential in order to establish a development model with which people can identify, providing the social consensus necessary for acceptance of the conditions of public and private co-responsibility required for sustained growth. In particular, it is important to adopt fair fiscal policies, reallocate public resources, make changes to make production more competitive, implement austere public budgetary policies, etc.

Today it is possible to accept the idea that the centralist model of government belongs to the past and that regional and local problems have become national and international in nature. Decentralization has become universal and, as a result, its theory has become widely accepted. Its practical application in the part of Latin America we are considering here involves particular limitations and potential: the correction or maintenance of these will condition the future of regional development in Latin American countries, the development model adopted and even development itself.

The limitations include:

- interference of national political processes in local development.
- legislative systems that lack the necessary transparency to determine central, regional or local powers and functions.
- budgetary policies that do not support decentralized public financing or programs for fiscal co-responsibility for income and spending.
- manipulation along political party lines of the resources regionalized by central authorities.
- lack of programs for developing the capabilities of local government.
- insufficient citizen participation in local electoral processes.
- little substitution of traditional bureaucracy by modern public management methods.
- lack of incentives to include private sector leaders in public management.
- little relationship between regional / local governments and the business, cultural and university communities to include the latter in the regional development process.

By listing the limitations of a process that is still young, the intention is not to denigrate it; just the opposite: it is useful to analyze it in order to determine how to mobilize local political, social and administrative action.

The regionalizing process in Latin America in general has the following potential:

- regional and local leaders may become known nationally and internationally and influence the focus of their political organizations.
- regional governments may gain the authority, legitimacy and capacity to come to agreements with territorial agents on strategic plans and to ensure that they are met.
- the commitment to construct a regional society, overcome exclusion and marginalization by fomenting employment opportunities.
- increased public investment in infrastructure and basic services.
- support for local and regional public investment through association agreements with business entities in the territory or through international missions for attracting investment.
- development of associationism among regions for the development of policies of common interest in the fields of economic integration to influence the pending process of integration.
- international opening to establish relations with regions of the USA, Canada and the European Union in order to obtain information on models of development and regional government, facilitating direct trade and business contacts.
- creation of informal structures, such as Regional Clubs, to train leaders, exchange experiences, develop synergies in consulting and international action, take joint action in the continent and establish a network of regions for international exchange and cooperation.

IV. Conclusions

It is impossible to draw direct parallels between the processes of regionalization and local development in Europe and in Latin America. However, although the state of decentralization and local initiatives are not comparable, what both processes have in common is the potential of the integration policies and their inexorable link to the political and economic transformations brought about by the globalization process in the economic development of the States and economic blocks considered here.

Regional and local initiatives in economic globalization and in national and international public policies are unstoppable. We are constantly seeing new actors appear in the exercise of government (i.e. governability), both at the different levels of government and in civil society. Regions and their forms of governing are at the forefront, since local areas are where modern government finds its greatest challenges. Regions and local authorities must guarantee basic conditions of liberty and human dignity.

They must build a network of services and infrastructure on which to base initiatives for training, respect for efficiency, innovation and competitiveness. They must foment private initiatives to generate wealth, employment, savings and investment.

The regionalizing process in Europe focuses on active participation in European construction. It attempts to influence state policies that affect integration and to maintain state-like participation in the bodies that debate and make decisions in the European Union.

The priorities in the process of regionalization in Latin America are to: take part in a successful reform of the State, contribute to changing the development model through the creation of a market economy at the regional and local levels, promote this market internationally, generate endogenous resources for investment, provide training and technology and to achieve a society motivated to work on its own development. These are two processes that require observation and monitoring, since both will provide new formulas for public management, though there may be distances in time and context.

The regional process in Europe has become strongly institutionalized in terms of its external relations and although this may be only symbolic, it provides regions with a presence and influence on the future of the Union. The Latin American regionalizing process must overcome the consolidation stage and be recognized both within its own states and in the integration movements now underway. The process has initiated inter-regional institutionalization processes that go beyond individual states and suggest other forms of trans-border and trans-national political relations. Regional action for future development will depend on the strength with which these kinds of formal and informal association and cooperation are consolidated.

Bibliographical appendix

Albistur Marin, Francisco Xabier. *An active policy for development in the face of globalization. Proposals for agreement and regional collaboration.* Madrid 2001. Club of Regions.

_____A model for regional development. Seminar on state policies for SMEs. Assembly of IDB Governors /CII. Paris 2000

Mella Marquez, José María. *Economía y Política Regional en España ante la Europe del siglo XXI* AKAL Textos. Madrid 2000.

General Secretariat of the Conference of Peripheral Maritime Regions of Europe. *Reflections and questions on the role of regions in European government.* June 2000.

Governability and state reform. A new State for a new development model.
International Institution for Governability. Barcelona 2002.
Joan Prats y Catalá.

Inter-American Development Bank. 1997. *Report on Social Progress and Governability.*

World Bank.1997. *The State in a changing world.*

Castañeda, Jorge. *La reforma institucional pendiente en América Latina (Pending institutional reform in Latin America).* *EL Pais.* February 2003.

Solis, Ottón. *.Metamorphosis of the State and politics: from central power to local power.* International Institution for Governability. Barcelona 2002

Vries, Michiel S. *Rise and fall of decentralization: a comparative study of its bases and practice in European countries.* International Institution for Governability. Barcelona 2003

Various authors. *Governability and democratic development in Latin America and the Caribbean.* PNUD. Barcelona 2003.

Various authors. Descentralización, municipio y participación ciudadana: Chile, Colombia y Guatemala
(Decentralization, municipalities and citizen participation: Chile, Colombia and Guatemala).
Centro Editorial Javeriano CEJA 2000.

Brito, Morelba. Buen gobierno local y calidad de la democracia (Good local government and quality
democracy)
Universidad del Zulia. Centro de Estudios Sociologicos y Antropologicos. 2002

Finot, Ivan. Factors for refocusing policies for decentralization and participation in Latin America.
Latin American Center for Development Administration (CLAD).
Reforma y Democracia. Issue 15. 1999.