6. Principles for Regional Governance in Economic Development

6.1 Introduction

This study uncovered a number of issues related to regional governance. An assumption that the study team held at the outset was that by presenting new tools for regional economic development—especially in rural areas—these instruments would naturally find a welcome among leaders throughout the region. However, while certain segments of the regional leadership have welcomed the tools and are looking forward to using them, other groups of leaders in the region have been less interested.

We have come to see that the extent to which leaders partner and think regionally is critical to how a region is able to understand knowledge-based development tools and, more importantly, forge a development strategy for the region as a whole. Regional governance is the term that experts typically apply to a partnership of public, private, and nonprofit leaders who come together to forge and implement a regional development strategy. However, across many parts of rural America, the term governance is still frequently confused with "government." While in concept the same, partnership is a term that often elicits more engagement from rural leaders.

This chapter looks at some fundamental principles of regional governance, examines these principles in action in three regions in rural America, and suggests possible approaches in future work with regions, especially rural regions.

6.2 The Concept of Regional Governance

The topic of regional governance has received considerable attention among regional policy experts and practitioners over the past 10 years. One definition of regional governance comes from the 2006 RUPRI white paper, *Eight Principles for Effective Rural Governance and How Communities Put Them into Practice*:

> Governance is the process of making and carrying out decisions. In its most common use, governance refers to the management practices of govern*ments*…
>
> Govern*ment* is the most recognized form of gover*nance*, but it is not the whole story. Effective governance incorporates a variety of decision-making and implementation practices by a wide range of people, organizations and institutions *beyond government* … Moreover, effective governance incorporates *community building* processes that develop leadership, enhance social capital and personal networks, and strengthen a community's capacity for improvement (Dabson 2006, 5).

Miller, in his 2002 study of regional governing for metropolitan regions notes that the United States has been moving from "a paradigm centered on Government to one centered on governing, or governance. Governing is the act of public decision-making and is no longer the exclusive domain of governments" (Miller 2002, 99).

Another definition comes from several OECD reviews of emerging regional development experience in many countries around the world. Regional governance is a collective term (OECD 2005). "Regional" refers to the functional economic geography that shares a common economic future. "Governance" refers to how public, private, and nonprofit leaders come together and organize the region's competitiveness strategy and implement it.

6.3 The State of Governance in Four Regions

Comprehensive regional governance is not a common phenomenon throughout much of America, although there are encouraging signs of change. County lines and limited public/private collaboration remain barriers to progress in facilitating sustained regional governance mechanisms. A critical issue for public policy is how to create the right conditions in which regional governance can form and thrive. The recent experiences of four regions offer some useful lessons in this regard.

Indiana Economic Growth Regions 6 (east-central Indiana) and 11 (southwestern Indiana) were in different stages of developing an effective system of governance when this study began. The regions were chosen for the pilot study because each contained characteristics that the study team was seeking. An important feature for the team was that each region was predominantly rural but contained a significant urban area.

The two regions are part of the state of Indiana's regional system for workforce development. Thus each region was created by state government in order to help deliver economic and workforce development services rather than having been created from within by local leaders banding together. Accordingly, neither region exhibits a high degree of comprehensive governance.

Economic development is the one subject where substantial progress toward regional governance has been achieved. In Region 6, all of the counties in the region with dedicated, full-time economic development organizations have formed a regional group. The group is incorporated as Energize ECI. This organization focuses primarily upon new basic-employer recruitment for the region, so Energize ECI's main activity is marketing to prospective businesses.

Region 11 also has a growing regional approach to economic development. However, this region is in transition. All of the counties in the region were part of the Southwest Indiana Development Council. This organization has recently reduced the geographic area that it serves. The counties centered around Evansville, the third most populous city in the state, were in the process of creating a new, four-county economic development organization during the study.

Perhaps the most significant stimulus toward regional governance for Region 11 is the fact that it is a second-generation WIRED grant recipient. This grant has resulted in a number of regional projects and collaborations.

A series of meetings were held with Indiana regional stakeholders. These included meetings with selected "early adopters" who reviewed preliminary data and indices and suggested ways to make the analysis and investment tools more accessible. Additional meetings involved stakeholders who were not familiar with the project. From these meetings, some broad observations can be made:

- While there is discussion about regional cooperation in Indiana and even some regional projects, most cooperation occurs on an ad hoc basis, is mandated by the state, or has a specific focus such as solid waste. Otherwise, there is not a lot of funding, governance or structure to address regional issues.

- Many local leaders lack the skills needed to utilize the tools without further assistance. "It was way over their heads," one early adopter said after a presentation made to a more general audience of elected officials and representatives from nonprofit agencies. This person further noted that many elected officials do not have or do not use e-mail or the Internet. Clearly, the lesson here is that these tools need to be targeted more toward professionals such as urban and regional planners as well as economic development officials, who were more familiar with the concepts of this project and in using those new tools.

- The early adopter meetings explained how the tools could be used for regional analysis, and thus as a basis for regional cooperation. Many participants were interested in the concepts, and suggestions for additions to the data were freely made. Not all of these suggestions are implementable—for example, economic development professionals would like to have the names and addresses of companies added to the industry and occupation cluster data. This level of detail would be very difficult to obtain without the use of expensive commercial databases. Expectations must be managed when introducing sophisticated new analytical tools to the development community.

- It will take some time to educate stakeholders about the use of the tools. Ideally, this process should take place after the tools are completely developed and in working order. Additionally, some of these tools and concepts are so new that case studies and success stories that help to obtain project buy-in are still needed.

- It would be worth considering some pilot projects in carefully selected regions throughout the country to test the tools that the team has developed, to train potential users, and to document a set of success stories to use in promulgating the future adoption and practice of regional cooperation.

The West Alabama-East Mississippi (WAEM) region is another WIRED grant recipient that offers useful lessons in regional partnership. The region has 37 counties, roughly evenly divided between the two states. The state line was perceived as a major hurdle from the outset, so a critical starting point was strong, visible support from both governors. Leadership from eight community college presidents was another critical early foundation for building a stronger spirit of collaboration throughout the region. To provide formal oversight for the initiative, a WAEM Commission was formed, with members reflecting important economic stakeholders throughout the region. The Montgomery Institute, a nonprofit based in Meridian, Miss., provides operational support for ongoing project initiatives.[38]

The Southern Minnesota Regional Competitiveness Project represents a different perspective on regional governance. This 38-county region has no unifying governmental organization, nor does it coincide with the geographic boundaries of any public or private organizations. That said, the region did come together to sponsor a 12-month project to craft a region-wide competitiveness strategy in collaboration with RUPRI. A critical outcome of the project is the formation of the Southern Minnesota Opportunity Roundtable. This will

[38] The history of the WAEM region's partnership is described at http://waem.tmi.ms/about.html. The region's economic strategy and the context for that strategy are summarized at http://waem.tmi.ms/docs/wired%20report/combined.pdf.

be a new nonprofit organization that will champion the region's comprehensive strategy, coordinate development activities, steer public initiatives, and help brand the region.

The Southern Minnesota experience holds many lessons for creating regional governance in other regions in rural America.

- Understanding and duly recognizing the existing landscape of development partnerships in the region was a critical foundation for the new governance mechanism. The region had a deep history of collaboration, but this had not developed to the geographic scale that corresponded with its economic opportunities. Linking the two was a critical step in creating conducive conditions for the final mechanism.

- Language was extremely important in achieving buy-in for the strategy. Many leaders in the region equated "governance" with "government." Thus, focusing the discussion on public-private partnership was much more effective in achieving a good result.

- Creating a "home" for the regional governance mechanism is critical to long-term success. The Southern Minnesota project had a clear lifespan that resulted in a well-articulated regional competitiveness strategy.[39] Creating a sense of permanence (that is, giving a home) to the Southern Minnesota Opportunity Roundtable was a crucial step in lending a sense of life and ongoing vitality to the strategy.

6.4 Developing Principles for Regional Governance

Regional governance as an academic subject is relatively new. Over the past 10 years, there has been a growing body of discussion by scholars, policy experts, and practitioners. A number of articles have attempted to list basic principles that are common to effective regional governance.

In 2008, the Public Policy Research Institute at the University of Montana (2008) listed nine principles to help people think and act regionally:

1. Focus on a compelling purpose or interest (catalyst)
2. Organize around collaborative leaders (leadership)
3. Mobilize and engage the right people (representation)
4. Define the region to match people's interest (regional fit)
5. Assemble the necessary resources (capacity)
6. Jointly determine where you want to go and how you want to get there (strategy of action)
7. Move from vision to action (implementation)
8. Learn as you go and adapt as needed (evaluation)
9. Sustain a regional initiative (governance)

[39] Key project findings, recommendations, and Southern Minnesota's economic game plan are available at www.mnsu.edu/ruralmn/images/SMRCP%20Report.pdf.

In 2003, the Alliance for Regional Stewardship published "Principles of Regional Stewardship." This article focused on four elements that comprised a framework for regional stewardship:

1. Livable places
2. Innovative economy
3. Social inclusion
4. Collaborative governance

RUPRI, in the article mentioned earlier, states that effective governance has three general components: collaboration, sustained citizen engagement, and leveraging regional resources. Supporting those three components are eight principles for governance, as shown in Table 16 (Dabson 2006).

Table 16: Components and Principles for Effective Governance

Three General Components	Eight Principles
Collaboration	Crossing sectors (public, private, nonprofit)
	Crossing political boundaries, recognizing regions
Sustained Citizen Engagement	Welcoming new voices (especially under-represented individuals and youth)
	Visioning a different future (bottom-up process)
Leveraging Regional Resources	Analyzing region's competitive advantages (focus on strengths, identify clusters)
	Strengthening competencies of local elected officials
	Engaging key intermediaries
	Investing local capital

Source: Dabson 2006

Discussions of regional governance have not been limited to the United States. Indeed, regional governance has been a lively focus of regional policy attention throughout the globe. There are many models of regional governance emerging around the world. This vibrant spectrum of experience is framed by two extremes. On one end, the driving force for the region-wide partnership comes from the public sector. Under this model, public officials organize a sort of "consultation" of local private associations and companies.[40] In most cases, the consultation is largely advisory, with the information flow benefiting government decisions. On the other end, regional dialogue and strategy is driven mainly by private sector leaders. In some cases, this reflects a lack of strong public sector leadership; in others, it reflects the influence of the private sector in local government.[41] In reality, evidence throughout the world shows that the catalyst for regional governance can come from many different sources, including nonprofit organizations.

---

[40] France's "Conseil regional economique et social" is a prime example of this model. These regional councils have no governmental authority, but do provide a roundtable for experts to meet with regional business leaders (OECD Territorial Review of France, www.sourceoecd.org/9789264022652.

[41] An example of the latter can be found in Mexico's "Yucatán Infrastructure Councils." See OECD Regional Review of Yucatán, www.sourceoecd.org/9789264037021.

The key is finding a means of bringing together a diverse collection of leaders in a way that engenders trust and a frank sharing of economic information. Pooling knowledge is a critical function of the collaboration, and this can only happen when there is a high level of trust. What is more, a regional strategy can only take shape when all parties agree that it will "grow the pie" for everyone, not represent a zero-sum game in which one part of the region wins at the expense of another.

The European Union has also issued a number of white papers on the topic. The following statement from the Mayor of London's European Forum (2003) illustrates this.

> We would wish to see the principles of governance stated in the Constitution as the operating principles of the EU institutions. This should include those outlined in the European Commission's White Paper on Governance (**openness**, **participation**, **accountability**, **effectiveness** and **coherence**) with the addition of **consultation** and **partnership**.

The United Kingdom's experience in sustainable, regional development is a source of ideas on regional governance. Similarly, this excerpt from the province of Ontario presents another set of principles:

> All the principles of good government—sustainability, democracy, decentralization, efficiency—call for local power. A sustainable community has to have responsible government, and a devolution of power to local or regional authorities is the way to accomplish this (Atkins 2007).

There are merits in all of the principles listed above, whether one considers the four-element framework of the Alliance for Regional Stewardship, the three components/eight principles from RUPRI, or the nine principles from the Public Policy Research Institute. Nonetheless, the study team's experience in the Indiana and Minnesota regions suggests a different approach to creating regional governance principles.

Indiana, for example, has limited experience in regional collaboration on a broad base of issues. Approximately half the state is covered by regional planning commissions and economic development districts. The most common regional collaboration that has lasted over a period of years is the regional solid waste district. This program, which was created by state legislation, enables multiple counties to work together in the disposition of solid waste.

Beyond those programs mentioned above, there are few vehicles for formal intergovernmental cooperation. The difficulty of regional governance is increased when one considers the fact that individual counties (and the cities and towns within them) in Indiana have at best limited fiscal home rule. The ability to raise taxes is controlled by the state's general assembly. These obstacles do not make regional governance impossible, but Indiana counties and communities find it more difficult to work together.

A fundamental issue that is central to sustained regional governance is trust. In order for leaders to collectively govern a region effectively, each leader must have confidence that his or her colleagues will work in the best interest of the region. One way to begin to establish that trust is to have a series of early successes that establish the effectiveness of the regional approach.

Here are some guidelines that may be useful in moving a region toward a working regional partnership:

1. Acknowledge the need for change

2. Understand that regional action is needed to seize new economic opportunities
3. Have a clear sense of the region's economic opportunities
4. Map the region's assets, including the existing landscape of collaboration.
5. Include representatives from the public and private (for-profit and nonprofit) sectors
6. Use initial external funding as the catalyst to bring regional actors together to forge a new strategy
7. Work with an economic development "coach" from outside the region to help create the initial plan
8. Have an open and transparent planning process:
    a. accessible by all residents of the region
    b. with a planning structure that is completely clear
9. Create as part of the planning process a regional partnership mechanism that will provide ongoing oversight for the plan
10. Keep the plan simple, have relatively few goals and objectives
11. Make the plan's budget realistic—funding sources should be ready to access
12. Specify measurements by which the plan's outcomes will be judged

Collectively the concepts above suggest a model for helping regions—especially rural areas—move to collaboration in economic development. These principles are compatible with all of the standards from the organizations mentioned above, and also align with the regional development strategy process discussed in Chapter 2.

6.5 Government, Governance, and the Responsibility of Elected Officials

An important issue related to the principles of effective governance for economic development is the role of local elected officials for the process. Despite the fact, as mentioned in the introduction, that *governance* is not the same as *government*, there is a direct connection. Regional development depends critically on investing in public goods that unlock the full potential of a region's competitive advantages. As noted in Chapter 2, identifying these public investment priorities is one of the most important outcomes of the regional development strategy process. Such priorities can only be developed when there is consensus among public and private leaders. Once those priorities are clear, however, in a democratic society it is the responsibility of public officials to oversee public projects that use public funds. In monitoring these projects, public officials can provide powerful information to shape the strategy over time. Thus, regions that master the art of regional governance create a virtuous cycle in which local officials play a valuable supporting role in selecting, overseeing, and monitoring the public investments that the region agrees are critical to its economic prosperity. For this role to emerge, however, a strong region-wide partnership must exist that spans jurisdictional lines—and those separating the public and private sectors. Today, such partnerships are too rare, and thus too many decisions default to government officials alone.

6.6 Conclusion

The general lack of region-wide partnerships throughout much of this country raises important questions about regional development generally and how the tools developed in this project may be used more specifically. It is highly likely that the economic development professionals will use some or all of the tools on both a local and regional basis. In Region 6, where the local economic development organizations have a dynamic regional organization, Energize ECI will probably serve as an implementing regional agency. It is also likely that the WIRED project in Region 11 will help that area grow an effective governance system for the region. The Southern Minnesota project suggests a hearty appetite for regional analysis.

However, the experience in Indiana underscores the conclusion that development tools lack real vigor when not paired with a robust region-wide mechanism for ongoing partnership. Tools may be necessary to crafting an effective regional strategy, but partnership is the necessary condition. This fact points to two important conclusions surrounding future work on regional development. The first is understanding the best timing and conditions in which to introduce knowledge-based tools in a region. The second is the ongoing need to develop the best possible guidelines for building regional governance, especially where it does not naturally occur. This remains a huge challenge not just in rural areas, but in most regions around the world. And because success depends on understanding the unique social and institutional landscape of every region, this policy frontier promises to be a hard one to claim.

6.7 References

Alliance for Regional Stewardship. 2003. Principles of regional stewardship: Working draft. www.regionalstewardship.org.

Atkins, Michael. 2007. Regional governance—In Britain, they are about to get it right!! Rethinking Northern Ontario. http://blogs.northernlife.ca/matkins/2007/09/regional_governance_in_britain.html.

Dabson, Brian. July 2006. Eight principles for effective rural governance and how communities put them into practice. RUPRI. www.rupri.org/Forms/RGIreport.pdf.

London European Forum. 2003. Submission of key principles to the convention on the future of Europe. www.london.gov.uk/london_house/docs/submission_future_europe.pdf.

Miller, David Y. 2002. *The regional governing of metropolitan America.* Boulder, CO: Westview Press.

Public Policy Research Institute, University of Montana. 2008. Working across boundaries: Principles of regional collaboration. www.lincolninst.edu/pubs/PubDetail.aspx?pubid=912.

OECD. 2005. Building Competitive Regions: Strategies and Governance. OECD Publishing. Paris. www.sourceoecd.org/9789264009462.

OECD. 2006. Territorial Review of France. OECD Publishing. Paris. www.sourceoecd.org/9789264022652.

OECD. 2007. Territorial Review of Yucatan. OECD Publishing. Paris. www.sourceoecd.org/9789264037021.