Governance and Regional Collaborations: Challenges and Opportunity

Do regional collaborations contribute to local and regional governance

May 2015

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Executive Summary

This document explores the challenges posed to local and regional governance in light of the growing potential for regional collaborations. According to research and recent accumulated wisdom from the municipal field, it seems that regional clusters enable effective regional governance and in some cases may even strengthen the abilities of local authorities.

In many cases, mayors are hesitant to join regional collaborations, due to concern that this could impair their own governance. We would like to address this issue: when and how can regional collaborations thrive as well as enable effective governance?

Several elements affect the degree of success in a regional collaboration: flexibility, full transparency, and a strategic approach to complex processes. **Flexibility** is a key element found to determine the success of a regional collaboration. The level of choice given to local authorities within the partnership, the flexibility afforded in selecting the services provided, as well as the option to join and withdraw from certain projects without being forced out of the partnership are all critical factors for success. Another important factor is the joint construction of the partnership and decision making mechanisms with the different partners and stakeholders from the very beginning of the process. A second factor critical to the success of regional collaborations is having **full transparency**, including crowd consulting at specific regional decision crossroad, incentives, training and central government standardization of the collaboration that does not impose actions upon the municipal government. A third factor is having a **strategic approach to complex** processes enabling all partners to advance towards agreement to this innovative process at their own individual pace. A combination of these factors raises the likelihood of a successful collaboration and a strong regional and local governance.

The regional clusters model cultivated in Israel today necessitates utilizing international experience with regional development. We recommend retaining the flexibility in the Israeli regional clusters, as well as the joint process for designing the infrastructure and mechanisms together with the partners while retaining the focus on regional uniqueness and advantages. It is equally important to implement mechanisms of transparency and crowd consulting as well to develop effective government policies regarding incentives for the clusters’ development in a way that will strengthen local governance focusing on shared, clear regional interests and advantages. In this way, regional collaboration becomes an opportunity to strengthen local governance as opposed to a threat of harming it.
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Introduction: Governance Challenges on the Regional Level

Regional collaborations are quickly emerging and developing worldwide. Global competition and processes of decentralized governments strengthen local government responsibilities as their tasks become more complex. In order to succeed in providing essential services and advancing quality of life and economy, local authorities are increasingly joining regional collaborations (COE et Al. 2010; Holtzer et Al. 2009; OECD 2005).

Regional collaborations are known in the world today as potentially more successful than merging local authorities; they retain the advantages of a small unit but benefit from economies of scale. They create a horizontal decision-making network as opposed to a hierarchy of vertical management. They are more flexible and are able to involve partners from all sectors - public, business and non-profit (OECD 2005; Dollery et Al 2005).

Economies of scale are still at the heart of the discussion when it comes to regional collaborations, and are often a central motivation for mayors and government ministries to get involved in the clusters, as they offer an opportunity to reduce costs and provide services that are more efficient. As an example, regional collaborations in Spain reduced spending on waste disposal by 19%-25% in local authorities smaller than 20,000 residents. This achievement led decision-makers on the local level to retain accountability and discard other solutions such as privatization (Bell & Fagheda, 2006).

However, research has shown that the reality is more complex and the benefit of economies of scale is not uniformly seen: there are services in which size of the cluster has no real impact and others where size is a critical factor. One of the more distinct differences is between capital-intensive services (infrastructure, roads, development, etc.) and labor-intensive services (police, education, etc.). While the existence of a larger organization has a notable advantage in improving capital-intensive services, the latter was not found to have the same advantage, and at times may even have the opposite correlation, since small authorities can customize the services and tailor them to the communities’ needs in a more flexible manner (Holtzer 2009).

Experience from recent years in Israel shows that regional clusters promote economic efficiency in certain types of services. However, the reduced costs are usually reflected in government budgets and do not affect the individual local level. This may significantly decrease the partner authorities’ motivation to participate in such a collaboration. Additionally, partnerships sometimes emphasize disparities between affluent authorities and weaker ones. As an example, a service provided by a strong, affluent local authority on a regional level may lead to more efficient spending for that specific municipality, but may lead to even greater costs for the smaller, poorer and less stable authorities, either because the service is new to them or has been provided at the local level but is now provided regionally, at a better quality and larger scale. In some cases, weaker authorities cannot meet the extra expenses and the cluster budget does not offer an appropriate solution.

It should be noted that although regional collaborations do not always create economic efficiency and savings, they continue to grow and develop (Frere et Al, 2012). It seems there are other motivations acknowledged in the literature as well as in the field for partnering on a regional level: acquiring strategic skills, leveraging regional advantages, gaining accessibility to resources, advancing innovation, risk management, operational flexibility and more (CoE et Al. 2010; Holtzer 2009; OECD 2005).

Governance is one of the main challenges in promoting regional collaborations. These collaborative processes require making decisions with a complex array of stakeholders. At times, there are contradicting interests and implied or explicit competition. The pace of the work is slow and there are always concerns about delaying decisions and negatively affecting the services provided. In addition, regional

1) For further information, see the following policy paper: http://www.theinstitute.org.il/files/articles/Capitalizing_on_the_Relative_Advantage.pdf
partnerships are expected to reduce costs, but impaired planning of the cluster may create an additional administrative mechanism that might complicate and damage local governance and create resistance among local authorities. A local authority joining a regional collaboration is typically concerned about losing partial control over the services provided to its residents, as well as damaging the accountability and impact of the mayor (Holtzer 200 or Frere et Al. 2012 or CoE 2010).

Due to the unique characteristics of the relationship between local and central governments, including, on the one hand, many shared professional encounters and, on the other hand a degree of distrust and suspicion, and due also to the nature of the complex social issues tackled at the local and regional level, there is a need for a third, neutral party a backbone organization—to lead the collaboration.

In recent years, research has shown the importance of backbone organizations in collective impact initiatives such as the clusters. A backbone organization seeks to improve social outcomes by organizing cross-sector groups of partners to transform an often inefficient, fragmented system, taking on a complex problem. In order to fulfil this vision, backbone organizations typically pursue six common activities to support and facilitate collective impact: guide vision and strategy; support aligned activities; establish shared measurement practices; build public goodwill; advance policy, and mobilize funding (Turner et Al. 2012).

In the process of constructing regional collaboration there is a need for building trust, creating vision and strategy, and designing shared spaces in which the local and regional needs and voices are heard by the national government on one hand, and on the other hand that allows policymakers to reach and impact elements in the field while encouraging regional collaboration and offering incentives and support. Due to these unique features, the need for a backbone organization that will support the regional collaboration and navigate the changing and dynamic landscape is clear.

In the next chapters we will explore the challenges posed to local and regional governance in light of the growing potential for regional collaborations, and try to characterize the ideal circumstances in which a regional partnership can thrive and enable effective governance. In the concluding section, we will analyse the clusters model advanced in Israel and the quality of governance that it entails.

1. **Leveraging and diversifying services versus the level of local accountability**

One of the central motivations for mayors to join a regional collaboration is the opportunity to diversify and enrich the services provided to their residents in ways that surpass what the locality could usually do on its own. However, there are also concerns regarding the added bureaucracy and costs (OECD, 2005).

The research shows that flexibility is a key factor to the success of diversifying and leveraging services. Flexibility means the level of choice a local authority has within a partnership: in selecting the services in which it will participate, in the ability to withdraw from projects without leaving the partnership, in designing decision-making mechanisms and work models and more. This way, the mayor’s accountability remains intact even as the regional governing organ provides its benefits.

Canada represents a successful model for regional partnerships. In Quebec, some services are mandatory for all participating partners (MRC), but they are also free to choose whether they wish to join in other areas of activity. In British Columbia there is almost complete flexibility, which is considered the key element in determining the success of the regional collaborations (GVRD): Authorities collaborate on a voluntary basis, and there is also a place for authorities that are not official partners of the GVRD to join individual projects on an ad-hoc basis (OECD, 2005).
Diversity is important in choosing tasks and partners. Opening up regional collaboration to a variety of players and stakeholders (business, civil society etc.) enables local authorities to acquire knowledge and unique added value. The ability to share information with regional, government and business elements through the regional platform is critical to a successful collaboration. Research conducted in Bolivia shows that the most distinct predictor of the quality of municipal services is the municipality’s ability to share information and cooperate. Partnerships and data-sharing with various government, business and social elements statistically predicted success more significantly than economic ability. (Andersson, 2002).

Not only is flexibility important, but rigidity may be harmful. Even if there are economic advantages, a strict mechanism controlling a regional partnership will harm incentives for cooperation, due to the authority’s loss of control over decision making. In Brazil and Spain it was recently found that the more local authorities have flexibility in selecting their collaborative projects and whether or not to join them, the stronger the partnership becomes. In contrast, rigidity binding the players to specific projects or to the partnership itself creates conflicting interests and weakens the mayors’ motivation to take part in regional activities (De Mello, 2012).

Flexibility can become a tool for strengthening mayors’ accountability. One of the potential obstacles to this is the enforcement of goals by the central government. Government is familiar with enforcing tasks through incentives, regulation and laws. In cases where government tries to enforce a regional collaboration, it discourages the local players and decreases their motivation to participate. It also creates resistance among them and sometimes leads to attempts to satisfy the central government instead of leading effective projects (De Mello, 2012). While promoting flexible collaborations, the government should encourage local initiatives through legal and financial incentives, but allow the local players freedom and choice when it comes to selecting goals and projects. That way, the local players are left with the decision whether to cooperate, under which circumstances, and on what topic, and the mayors are left with the judgment when and if a new service or task is worthwhile for the residents they represent.

Finland is considered a worldwide success in advancing regional governance. Since 1990, the Finish government encourages inter-municipal partnerships through grants and incentives. However, the decision regarding the partnership’s mandate—the decision-making mechanisms and joint areas of action—completely remains in the hands of the partners. It is an active government intervention to encourage local players to cooperate, without pre-determining which areas to focus on and how to manage the partnership (CDLR, 2007).

Based on recent experience in the field as well as research, there is a clear preference in Europe for flexible models of inter-municipal partnerships in the areas of diversity of the partnerships, diversity of the partners (public, civil, private) as well as in constructing the responsibilities within the partnership. The government still has a critical role, but this role is beginning to change from leadership to motivation.

2. Complex Decision Making

A general European comparison indicates that the central motivation for creating and strengthening regional partnerships is providing effective service (lower costs and higher quality). However, there are also concerns regarding the complexity of the partnership and added encumbrance when it comes to decision making.

Research conducted in Holland clearly reflects this intricacy: two thirds of mayors are content with the quality of services and protecting public service within the partnership (as an alternative to outsourcing), and
at the same time two thirds of mayors are unhappy with decision-making processes and synchronization within the regional partnership (CDRL, 2007).

How can effective outcomes be reached without complicating things? When creating a regional partnership, not only the desired outcomes, but the process itself, are of vital importance. The players’ full and active participation in creating and designing the mechanisms and responsibilities of the partnership is an important component for success. This allows municipalities to be highly involved and guarantees most interests will surface right at the very beginning. As a response, the partners will develop mechanisms to manage complex decision-making and multiple interests early on in the process. As an example, in Finland there is an inclusive planning process including all stakeholders who are interested, before any action is taken, in order to strengthen the overall commitment to the various tasks (OECD, 2005).

Transparency assurance and a professional calculation of the costs, along with preventive measures against “free riders” are all essential for avoiding failure. Transparency brings regional partnerships closer to the residents in the local authorities and reduces the ability to conduct manipulations within the partnership and between municipalities (CoE, 2010).

Strengthening the local players and professionally training them in a systematic and relevant framework for the partnership positively affects the simplicity of decision-making in the unique reality of the partnership. In South Korea, the government encourages the establishment of regional training institutions, in which unique skills and knowledge are developed for the purpose of creating and leading partnerships. These institutions do not dictate the type of partnership, and the government does not interfere in the goals or continues activities. But it does contribute resources to improve the local authority’s ability to succeed in fulfilling their own goal, through the regional partnerships. Strengthening the local players is also significant because in many cases the partnership does not raise funds independently, but rather relies on the local authority’s income and sometimes on government funding as well. In the framework of this reality, there is a need for highly skilled professionals to manage and analyze circumstances in order to complete the desired tasks and to nonetheless know how to act in a dynamic reality and how to motivate partners to support the right changes and the right time (OECD, 2005).

Regional collaborations are complex and require an active process of training, transparency and planning to reduce the risks of complex decision making. In the few research papers analyzing effectiveness of regional collaborations, there emerges a high level of satisfaction even when there is no clear reduction in costs. In France, the regional collaboration was found to improve management abilities and skills among local decision-makers, since they are required to become familiar with a wider and more intricate reality and make more complex decisions, seeing the overall interests of the region in an environment with multiple interests and stakeholders. Additional elements such as quality of service or risk management allow mayors to better lead resolve their local issues, even if there are no cost reductions (Frere et Al, 2012). In conclusion, it is evident that regional partnerships, when they are constructed correctly from the start, have the potential to actually improve the local decision-making skills, and not just pose a risk to them.

3. Internal Contradicting Interest

A major advantage of regional collaboration is the ability to work with government and additional large-scale players such as corporations, governmental companies, donors, suppliers and the like. A regional cluster allows inexpensive and stronger negotiation abilities when dealing with these players, and it becomes a focus of interest for different elements as a body representing several local authorities and diverse projects. However, this may lead to challenging situations of contradicting interests between mayors and the need to “surrender” power and responsibilities for the sake of the cluster.
Global powers and the weakening of central government are powerful external incentives promoting the resolution of internal conflicts. As described in the introduction, external reality largely determines mayors’ incentive to cooperate despite expected contradictions and conflict. Nevertheless, local politics and other considerations may delay or hinder a regional collaboration, and proactive measures are needed in order to defeat those challenges. The government has an essential role as an organizing element. Even though the regional forces are effective in promoting projects opposite the government, they are also in critical need of government backup and encouragement, providing the necessary legitimization and motivation for action. Changing the local norms and patterns require governmental support in order to succeed. A regional force will become more effective only when it is mutually acknowledged (OECD, 2005).

As an example, in France the government encourages creating “city networks” comprised of small and medium size local authorities, corporations and local factories, for the purpose of sharing costs and risks of large-scale projects in various fields. The city network focuses on regional specialties and advantages in business, production, tourism, culture and environment. The government’s interest and gain is reflected in reducing risks and in effective routine work on large-scale projects opposite one, well-defined player - the regional partnership (OECD, 2005).

It is important that central government involvement empower the region and not cause the opposite effect. Recent studies indicate that the method of government intervention affects regional success: When government encourages “horizontal” partnerships between municipalities and other elements organizing as a network, the involvement strengthens the partnership. Yet, as previously mentioned, when the government tries to enforce hierarchal decision-making towards the local players, there is an increased risk of damaging the partnership and decreasing the motivation and abilities of the various players (De Mello, 2012).

In most European countries today, the government tends to strengthen supervision over effectiveness and outcomes of regional collaborations, but widen the scope of flexibility and responsibilities of the local authorities in determining their own goals and tasks (CDLR, 2007). This type of government intervention promotes the resolution of internal conflicts and contradicting interests without overriding the mayors.

An additional factor affecting internal conflict is transparency. Transparency does not eliminate interests, but it enables “bringing them to the table” and confronting them. In a flexible regional partnership, transparency allows mayors to skillfully make decisions and avoid conflicts in projects that do not promote the needs of their residents (CoE, 2010).

Summary: Governance and Regional Collaborations

In conclusion, this paper presented main challenges concerning local and regional governance while attempting to find ways in which regional partnerships can offer solutions to these challenges.

The first challenge is leveraging and diversifying services versus the level of local accountability. We indicated that local authorities are sometimes concerned about losing control over services provided to their residents and their responsibilities within a regional collaboration. The main solution offered to the municipalities’ hesitance is a flexible structure for the regional cluster and increasing the level of choice within the partnership.

The second challenge is complex decision-making. When entering a regional partnership, there is a real concern regarding redundant and unnecessary decision-making mechanisms at the expense of effective services. The possible solutions in this case are mayors’ full and active involvement from
the very beginning in constructing decision-making processes, increasing transparency, avoiding “free riders,” and empowering local players while offering professional training.

The third challenge is **internal contradicting interests**. Conflicts and disagreements within and between municipalities are an inevitable part of complex processes of partnership building. The solution offered here is **acknowledgement by the government**, allowing full autonomy for the partnership to choose its areas of development, as well as implementing transparency towards the residents. An additional solution that is not discussed here focuses on regional cross-sector leadership development.

In the next section we will briefly present an analysis of the process in Israel, in light of the basic concepts discussed above.

**Governance in the age of Regional Clusters in Israel**

The regional clusters model that has been embraced in Israel in recent years, reflecting many of the international insights on strengthening local governance. The clusters strategy is based on creating a corporation established in accordance with Israeli laws and bylaws, owned by several local authorities jointly holding corporate stock. The board of directors is comprised of representatives according to a standard format: one third mayors, one third senior executives within the partner authorities and one third public delegates. The transition to a regional cluster model alongside the local authority is a significant paradigm change, both for the government ministries and the municipalities and their mayors. The transition naturally entails some unease and expected clashes, therefore requiring adjustments in the initial years. This type for innovative strategic process requires a long-term perspective until it will become possible to actually witness an improvement in governance on the ground.

The five Israeli regional clusters that exist today strive to act in accordance with the international insights and basic principles, some of which were presented in this paper. During the different stages of establishment, the clusters are undergoing continues learning and improvement. Following are some of the regional clusters’ basic intentions:

1. **Flexibility**: The clusters have full flexibly about making internal decisions regarding services provided to the local authorities. The cluster receives financial incentives from the government according to core issues it selects, while meeting required, known and transparent criteria determined by the joint regional clusters' initiative committee. Currently, there is freedom of choice for every local authority whether to join and which projects to take part in.

2. **The cluster is created by the local authorities on a voluntary basis**: from the moment the cluster becomes a corporation, it is managed by the board of directors, comprised of representatives from all partner authorities. The decision-making mechanism is designed, constructed and led by the representatives. Prior to the process of becoming corporate, decisions were made on a consensus basis. The cluster is created as a routine regional meeting space that will cultivate, advance and develop shared decision-making.

3. **The cluster focuses on promoting regional advantages**: the issues chosen by the cluster for development and action usually reflect a shared interest for the partners or an issue based on economies of scale, both in aspects of finance and quality. Thus, the regional cluster becomes an instrument for leveraging regional advantages on behalf of the local authorities.

4. **The government encourages the establishment of clusters, but does not interfere with the working process**: the Israeli government created a tender offering financial incentives for local authorities who join regional clusters, without enforcing specific projects and with very few preconditions.
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This model of intervention correlates with research findings regarding the government’s role in supporting regional partnerships. The Israeli government is currently studying the incentives and conditions it is advised to offer the clusters in order to enable their success.

In addition to the principles that have become the basic infrastructure for the establishment of regional cluster in Israel, there are several points that have yet to be addressed. We recommend taking them into consideration:

1. **Transparency and public supervision**: This allows local residents to follow, supervise and criticize the activity of the cluster. The average resident has some connection to members of the local elected body, but not to the regional cluster. Full transparency and implementation of some direct democratic methods such as crowd consulting may contribute to the flexibility.

2. **Reinforcing government incentives and institutionalizing unique professional training** in order to allow regional clusters to contend with national projects such as industrial zones, transportation and infrastructure. There are some designated training programs that the government began to fund and activate, partnering with several organizations. There is a need for a deeper and more formal process of training in order to change the organizational culture in a way that will create an environment supporting partnerships and enable the realization of projects that meet the highest standards, highlight the uniqueness of the region, and that surpass the ability of each individual local authority.

In conclusion, the burden of proof is yet to be fulfilled by the regional clusters in Israel. Yet, it seems that there is not only potential for leveraging regional advantages and reducing costs, but for improving governance and quality of life as well. In order to realize these goals, there is a need to skillfully provide solutions to the governance challenge within the regional partnerships, continuously assessing the effectiveness of the cluster. In order to make progress, it is necessary to learn from international experience as well as from peer clusters. Above all, proactive measures are needed to promote mutual trust and transparency between municipalities, between the clusters and the government, and between the clusters and the residents. In addition, it is important to acknowledge the different values of the partnership, beyond financial benefits, and to promote strategic issues alongside the practical ones. The fundamental challenge posed by regional collaborations today lies in developing innovative long-term tools for successful implementation of an innovative strategy.
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Partners of the Regional Clusters program of the Institute: Russell Berrie Foundation, The Joseph and Harvey Meyerhoff Family Charitable Funds and the Jewish Federations of North America