



# **Initiating Network Governance by Competition**

## **Experiences from 18 German Regions**

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## 1. Introduction

There are several reasons, why governance is getting more and more into the focus of scientific interest. One important aspect is the political concept of ‘sustainable development’, which had been established as a global vision at the World Conference in Rio de Janeiro 1992. In Chapter 28 of the Agenda 21, the main resolution of this conference signed by 178 governments, regions are ‘carriers of hope’ to achieve this vision because the regional level seems to be small enough for participative decision-making and big enough to implement effective solutions.

These key functions of regions are strongly associated with two different aspects of network governance, concerning the management of collective decision-making by regional stakeholders (“governance of networks”) and the ability to execute these decisions by powerful common action maintaining the support needed for successful goal-attainment (“governance through networks”). The rationale of this paper is to show some of the difficulties in building up institutions and processes for these both aspects of network governance in German regions.

On a first step, the political framework in Germany and the actual discussion on governance, especially the normative concept of “good” governance, will be explained (chapter 2). By leaving a pure theoretical level, the focus will be set, on a second step, on the nation-wide competition ‘Regionen Aktiv’, initiated by the Federal Ministry of Consumer Protection, Food and Agriculture (BMVEL) in autumn 2001. A short description of ‘Regionen Aktiv’ and its main goals is the topic for the following chapter 3. Especially two main characteristics, the structural component of building up regional policy-networks and the process component of implementing policy-strategies, are highlighted here.

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Chapter 4 presents some results of our own evaluation research on 'Regionen Aktiv'. The focus is set, firstly, on "governance of networks", trying to answer the question how far the partners involved are able to develop and to apply a durable and functional system of self-regulation for their cooperation. Secondly, the finger is put on "governance through networks" by asking how far these regional partnerships of governmental and non-governmental organizations are able to develop and to implement commonly shared and effective policy-strategies. Finally some conclusions of the 'Regionen Aktiv' process both for theory and practice will be made (chapter 5).

## **2. Regional Network Governance – Some Theoretical Reflections**

"Governance" is one of the scientific "catch-words" of the last decade and it is used – and often abused – in several different contexts with a huge variety of meanings. In business administration, for instance, "corporate governance" first had been limited on the difficult relationship between management and suppliers of finance for corporations joint in the stock market. Nowadays it is also used for the shift from "shareholder" to "stakeholder" orientation and expanded both on other kinds of organizations (even non-profit ones) and on intra-organizational participatory management processes (cf. Nippa et al. 2002).

If the focus is set on the political system, the meaning of "governance" is also depending on the topic of scientific interests or political practice: while political scientists analyse the coordination problem between international, national and regional governments within democratic political systems by using the term "multi-level governance" (cf. Bache 2004), development aid policy claims for "good governance" in democratisation processes by

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implementing a “spirit of democracy” in societies and supporting the formation of any kind of legitimated political steering (cf. Ginther 1995).

Coming to scientific research on regional development, governance is also not homogenously used and the scientific debate is far from consensus on what regional governance really is (for an overview on the scientific discussion of regional governance in Germany see Benz 2004). However, there seems to be some agreement on the point, that regions are getting more and more important for political decision-making and regional networks including state and non-state actors are supplying – maybe even replacing - political executives and their bureaucratic administration by transferring these decisions into action (cf. Lawrence 2004).

Moreover, the political culture and the historical development of societies seems to be of certain importance for the way “governance” is addressed both as a research question and a practical political task within the national framework (cf. Chambers and Kymlicka 2002). If one is talking about governance in Germany, one has to mention the corporative tradition assigning Germany (in addition with Austria and the Scandinavian states) to a specific position among Nations (cf. Hancock 1989; Streeck 1999). Due to the collapse of the former “Weimarer Republic” in the 1930s, the founders of the new German republic try to strengthen the pluralistic elements of the political system after World War II (cf. Abelshauser 1984). As one result of these discussions, Germany became a federal republic with a decentralized component, giving the new formed federal states (“Bundesländer”) and their representation (“Bundesrat”) equal rights and power next to the national parliament (“Bundestag”). Although the later development considerably increased the influence of the national parliament, still many laws need the support of the federal states to come into practice.

Bringing it on the regional level, one has to recognize an enormous rise of participation rights particularly for regional citizens during the history of the

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Federal Republic of Germany. Nowadays, most local authorities offer their inhabitants several kinds of influence on the local decision-making process, reaching from expanded voting procedures by accumulating (“kumulieren”) and splitting votes (“panaschieren”) to participatory regional planning (cf. Fürst and Scholles 2001). Moreover, as a result of German unification and its successful transformation process in East Germany, new participative institutions (“round tables”) swap over whole Germany accompanied by huge expectations that could hardly be satisfied (cf. Mushaben 2004).

In the meanwhile, there are some critical remarks on these “participatory revolutions” (Kaase 1984) resulting in a “semi-sovereign” state (cf. Katzenstein 1987; Helms 2003) and a significant increase of political influence for civil society. Nevertheless, nearly everybody welcomed the formation of a powerful civil society in Germany as a symbol for stability of the liberal democratic system (for an overview on the actual development and discussion concerning governance and the concept of “semi-sovereign state” in Germany see Green 2005).

For this paper, “governance” is generally defined as the institutionalised process of making and executing political decisions, not mentioning whether this process is running within the legal political system, a more or less legitimised policy-network including state and non-state actors or a single authority. It is also not expressed whether this process is running on global, national or regional level – or between this aggregates of political system. The definition emphasises only three core elements included in *every* concept of “governance”: political institutions, decision-making and the execution of decisions.

### ***2.1. Elements of “Good Governance”***

From a normative point of view the question raises which aspects constitute “good” governance and distinguish it from “bad” one. This normative

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question examines the generally legitimated and commonly shared goal of a society how it should be governed “in theory”. The political experiences in Germany revealed both limitations of centralised government decisions as well as of pure self-regulation systems run by civil-society organisations. As Hanf and O’Toole (1992: 166) mentioned, “modern governance is characterized by decision systems in which territorial and functional differentiation desegregate effective problem-solving capacity into a collection of sub-systems of actors with specialised tasks and limited competence and resources”. Due to the above described historical development of the political system, these differentiation processes and their resulting political blockades are much more visible in Germany than in other modern nation states. Therefore, almost everybody in Germany agrees with the statement, that for improving problem-solving capacities an inclusion of civil-society organisations in political decision making is necessary and more participation rights should be given to citizens (cf. Offe 2003).

This position is also shared by the Federal Government, which, among other activities, launched a program called “enabling state”. This program is aiming on “a new distribution and grading of responsibilities between the state and society“ (Bundesregierung 1999: 7) and tries to modernise state administration with regards to the concept of “new public management” (cf. Wollmann 2003) and wants to transfer recent public tasks to private actors.

Nevertheless, there also seems to be a comparable agreement that existing self-regulating institutions and corporative systems including both state and non-state actors are ineffective and limited concerning their ability to solve the key problems of society. This opens the floor for “social experiments” in search of “good governance”, building up new institutions following the normative approach of “grassroot-democracy” (“Basisdemokratie”) and offering a strong support for any kind of policy networks especially on the

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regional level. This is the starting point for political programmes like “Regionen Aktiv”, trying to empower regions and strengthening their self-regulation capacities.

In general, the implementation of regional partnerships aims more or less explicitly on an improvement in regional political action. However, there are several different interpretations and varieties in the use of ‘good governance’ among the actors involved in regional governance. Hardly surprising – at least for Sociologists – these variations are strongly related to political positions and power relations that can not be addressed in detail here. We will not ask whether “good governance” is desirable or attainable from a more general sociological perspective and we will not analyse the constellation of actors that support or hinder one or another normative approach of “good governance” in Germany or in the regions involved in “Regionen Aktiv” – although we think this is an important and very interesting research topic. Moreover, the regions under analyses (and its key actors) are part of a national programme and they have to follow some general normative guidelines set by the Federal Ministry. Again we will take this normative issue for granted and we will not discuss it here.

Instead, our aim is the scientific evaluation of this special political initiative. Hence, we need to find a generalized theoretical answer on the question “what is good governance”, being not influenced by normative ideas of one or another political actor. For this purpose, we suggest the following definition: ‘Good governance’ is the durable implementation of social institutions including all relevant stakeholders in a common decision-making process to assure rational decisions for those opportunities that are a) optimising common goal-attainment, b) minimizing negative side-effects, c) optimising reflection of all relevant stakeholder interests, and d) implementable in the most effective and efficient way.

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This definition emphasizes several different elements giving it, on one hand, a clear-cut position within actual scientific debates on this issue as well as, on the other hand, some starting points for operationalisations that are able to guide empirical research. These elements are:

- *Social institutions*: While understanding governance as a set of social institutions, collective arrangements such as contracts, rules, shared values, regular meetings and other organisational frameworks come into the focus of analysis. Moreover, this aspect highlights the important question how several different kinds of independent actors should be adequately included into decision-making. Therefore, policy network approaches are of certain interest (cf. Marin and Mayntz 1991; Marsh 1998; Rhodes 1997; Sørensen 2002).
- *Process of decision-making*: While setting the focus on decision processes, the input side of governance (what people are doing to govern) is the key element of analysis and the output side (whereto the governed system is moving) will be addressed as a more or less determined result of human action. This implies some relationship to action theories, particularly to rational-choice approaches (cf. Wiesenthal 1987). For sure, the opposite viewpoint referring to system theory approaches can be taken, too (cf. Sydow and Windeler 2000).
- *Intentional selection of opportunities*: Following the central idea of rational-choice theory, every decision is a selection of the best opportunity (due to rational calculation of pros and cons) compared with other (perceived) opportunities. While analysing real decision situations, this assumption can be criticized for ‘over-rationalising’ decision-making (and, therefore, simplifying the process). Here, this assumption has been taken for an idealistic intention of decision-making and not for explaining real decisions.

- *Matching individual and common interests*: Probably the most important social aspect of ‘good governance’ is its aim to balance individual and common interests in an optimised way. Such kind of perfect outcome of decision-making, reaching common goals with respect to all interests of all stakeholders, is only possible under certain and rare circumstances (‘win-win-situations’). Nevertheless, the trial to optimise the balance between individual interests and collective goals should be a remarkable element of ‘good governance’.
- *Practical relevance and implementation of decisions*: Finally, the decision itself is not the most important outcome of ‘good governance’. Moreover, ‘good governance’ assumes to be effective for laying new courses towards the aspired direction, transferring ‘good decisions’ to adequate problem solving by political action.

To sum it up: what makes the institutional process of making and executing political decisions ‘good’ is a) the *functionality* of its durable implemented institutions in keeping b) a perfect *balance* of *all* relevant stakeholder interests with collective goals and supporting c) an optimised selection of opportunities to realize *rational decisions* that could be d) transferred in *proper solutions* being executed in effective political action. According to this statement, ‘good governance’ is an idealistic aim that never can be attained perfectly – but it is possible to measure the degree of enclosure to this ideal.

## **2.2. *Determinants of Network Governance***

‘Good Governance’ chiefly means to open the process of decision-making for stakeholders and to integrate their interests in a common policy (cf. UN ESCAP 2004). Nevertheless, there seems to be different positions how far stakeholders should be included reaching from pure consultancy to equal-righted membership in policy-networks. Compared with the above

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mentioned criteria of 'Good Governance' a pure consultancy model (as favoured for example by the EU (cf. Commission of the European Communities 2001; Paran-Woolfe and Krüger 2001) seems to be insufficient. Opening the proposal process and making it more transparent by standardizing it will not change the process of decision-making itself and, therefore, no transfer from government to governance occurs. However, the already stated challenges for states' problem-solving capabilities by social differentiation processes are demanding for a stronger involvement of independent and powerful non-state organisations in political action and policy-making (cf. Meyer 2005).

Another important result of this development is *decentralisation*, transferring decision-making competences from the national to the regional level of the political system and integrating it through *multi-level governance* structures and processes (cf. Hooghe and Marks 2001). This process of 'bringing-decisions-to-people-affected-by-it' is surely an improvement towards the described concept of 'good governance', but it raises also new questions on co-ordination between the different levels of decision-making within the political system.

Following this argumentation, *multi-actor multi-level policy networks* have to be the solution for 'good governance'. According to Börzel (1997: 1), policy networks can be defined 'as a set of relatively stable relationships which are of non-hierarchical and interdependent nature linking a variety of actors, who share common interests with regard to a policy and who exchange resources to pursue these shared interests acknowledging that co-operation is the best way to achieve common goals'.

From the viewpoint of governance, such kind of networks have some visible advantages: they have the capability to produce more effective solutions by processing more relevant information, taking a greater variety of values into account, rising the acceptance of decisions, and being more flexible to adapt

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on changing situations (cf. Scharpf 1993). In difference to other coordination principles ('market' and 'hierarchy', cf. Powell 1990), networks can be described as durable bargaining constellations linking formally independent actors in strategic dependency due to repeated interaction. They are stabilised by trust in the reliability of each member and institutions regulating among others the process of making and executing decisions (cf. Meyer 2005). According to these typical elements, several specific co-ordination problems occur, concerning the production of trust, the management of network communication, the balance of positive and negative co-ordination, the limitation of power influences, the regulation of voluntary membership, and the institutionalisation of rules (cf. Meyer and Baltes 2004).

As a summary of her findings in about twenty years research on this issue, Mayntz (2003) stated three key determinants for durability and effectiveness of network governance:

- *A strong state to ensure the functionality of self-regulation in policy networks:* Most policy-networks act 'in the shadow of hierarchy' with the threat of state-intervention as a uniting force to co-operation. In such a constellation, the existence of powerful political authorities as 'guardians of public welfare' is an essential requirement for effective self-regulation.
  - *A strong, functionally differentiated, and well-organized civil society:* Since modern societies are characterized by social differentiation and, as a result, increasing complexity, citizen interests have to be represented by corporate actors. Moreover, 'to make negotiation with opposite interests and with state authorities both necessary and meaningful, interest organizations must be sufficiently autonomous and resourceful' (Mayntz 2003: 5). Obviously, the existence of such organizations is an important precondition for the existence of policy-networks.
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- *A common identity of network members*: Any kind of collective action is in need of ‘at least a minimal sense of identification with, and responsibility for, the greater whole, in short, a common identity’ (Mayntz 2003: 5). In other words: while social differentiation is leading towards individualisation of single elements, probably even towards atomisation, societies needs some integrative forces like, for example, cultural identity to stabilise the existing community.

### **2.3. Outcome of Regional Network Governance**

According to this, one can expect some additional difficulties for network institutions on the regional level that may influence the outcome of governance. As a first assumption, structural homogeneity of the ‘region’ (in terms of administrative definitions for both the political system as well as for the organized civil-society, in terms of social inequality or in terms of subjective identification of the citizens) should improve the ability for finding a commonly shared point of view and a consensual decision. Hence, structural homogeneity seems to be an important regional precondition for implementing network institutions in general – and particular for the dedicated institutional patterns of ‘Regionen Aktiv’.

Structural homogeneity is obviously not only related to administrative definitions, social stratification or subjective perceptions but also to the ‘size’ of a region (in terms of inhabitants or in terms of population density). Both the number of people and the distance between them increase the difficulties to organise cooperation and probably will lead to heterogeneity of political positions. Hence, it seems to be easier to manage ‘governance of networks’ in ‘smaller’ regions due to the structural homogeneity argument above. But ‘size’ has also an assumable impact on ‘government through networks’, the effectiveness of decision enforcement: while ‘small’ networks with only a few members may have less coordination problems,

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they probably will get in trouble with the execution of their decisions because of their limited resources and the existence of more powerful competitors. 'Regionen Aktiv' aims explicitly on competition within and among regions and the key question here is, whether small regions and weaker networks are able to impose their – probably better – solutions within this framework.

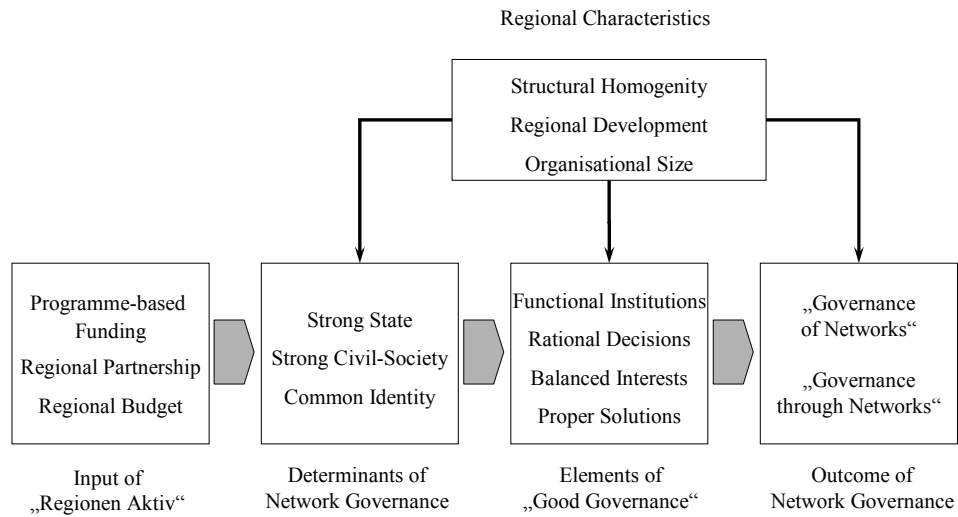
This question of regional differentiation will be discussed in addition with the three main innovative principles of implementation associated with 'Regionen Aktiv' (for details see chapter 3). These principles aim for a new role of state as well as of the regional civil society. At least for regions without administrative or cultural traditional ties, also a new kind of community should be build up. In other words: 'Regionen Aktiv' tries to influence the determinants of network governance for improving the quality of governance.

As its final outcome, the new implemented network governance institutions are aiming for an improvement of two separated but interrelated steering processes. "Good governance of networks" means the optimized management of decision-making within the region and implies sustainable success (over time and in all circumstances) in doing so. This should be assured by new implemented network institutions which need not to be stable forever but should be, at least, the starting point for a new stage of development. "Good governance through networks" is the process of successfully executing decisions made by the network and implies sustainable positive impacts for regional improvement. According to feedback processes, single decisions can be changed but should always follow a commonly agreed regional policy-strategy.

The described elements of 'good regional network governance', its relations and the (targeted) impact of 'Regionen Aktiv' are visualised in figure 1.

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Figure 1 - Regional Network Governance



### **3. The Nation-wide Competition ‘Regionen Aktiv’**

As a result of the FMD- and the BSE-crisis and the increasing political pressure caused by the WTO-negotiations, the EU-Enlargement and the mid-term-review of the Agenda 2000/CAP, a radical change of agrarian policy (“Agrarwende”) occurred in Germany, giving the consumer perspective priority to producers interests and focusing not only on agriculture but on rural areas as a whole.

For supporting this policy, the new formed Federal Ministry of Consumer Protection, Food and Agriculture (BMVEL) initiated a nation-wide competition called “Regionen Aktiv” in autumn 2001.

‘Regionen Aktiv’ focuses on four main objectives: strengthening rural areas and creating additional sources of income; providing nature-friendly and environmentally compatible agriculture; focussing on a consumer perspective; strengthening rural-urban connections. To achieve these goals the development and implementation of Integrated Development Plans (IDP), done by regional partnership networks including the key rural interest groups in “model regions”, has been funded according to this program.

Regionen Aktiv also serves as a pilot project within the framework of the National Sustainability Strategy and was Germany's contribution to the World Summit on Sustainable Development ('Rio +10') in Johannesburg in Aug/Sept 2002.

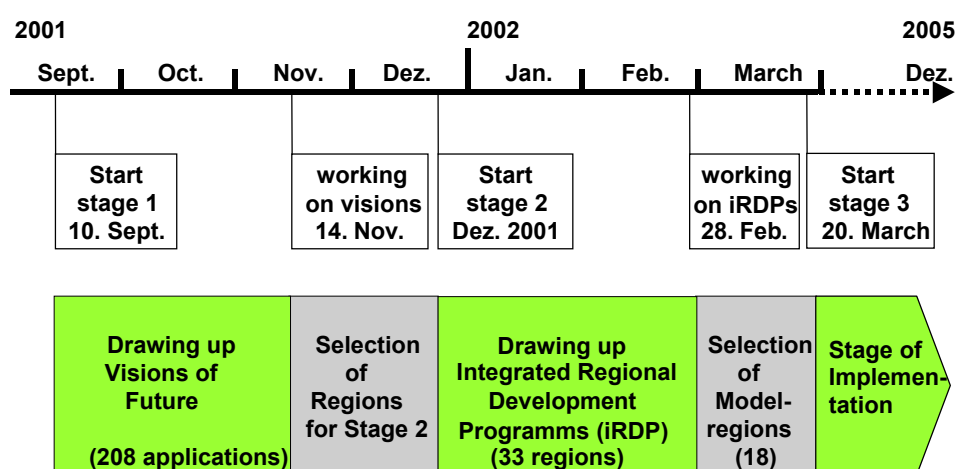
#### ***3.1. Stages of the Competition Regionen Aktiv***

The eighteen model regions were chosen in a two-tier selection process. In the first stage, regions were asked to develop a joint vision for the future development of their region. In December 2001, an independent jury comprising representatives of the key interest groups for rural development

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on the federal level chose 33 regions out of a total of 206 submissions. On the second stage, these 33 regions were asked to concretise their joint vision in an Integrated Development Plan. In the third stage, the chosen 18 model regions got the funding to put their IDPs into practice (2.1 Mio Euro per region on average).

Figure 2: Phases of ‘Regionen Aktiv’



Till the end of 2005, the model regions will present their innovative ideas and provide useful examples of integrated rural development and successful rural-urban connections (cf. BMVEL 2002).

### 3.2. The 18 Model Regions

The administrative and political definitions of the selected regions are diverse: while even one of the 16 German federal states (Saarland) is participating, another region (Schwäbische Alb) only represents a single one of the 323 districts (‘Landkreise’). Several partaking regions are not identical with administrative definitions and some of them include parts not

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only from different districts but also from different federal states (Eichsfeld, Lübecker Bucht, Weserland). In sum, the structural diversity of the model regions is as big as possible in Germany and this can be demonstrated by a lot of other indicators too (e.g. the economic structure, labour market development, tourism, income etc.).

Figure 3: 'Regionen Aktiv' Model regions



### ***3.3. The Principles of Implementation***

Beside its main objectives 'Regionen Aktiv' is based on three principles according to the determinants of network governance (strong state, strong civil-society and common identity):

1. *New Role of State - Programme-based instead of project-based funding:* Agreements between the Federal Ministry (BMVEL) and the model regions provide the framework for the overall project. The Federal Government's role is thus limited to setting the goals of the competition and to prescribing a set of minimum requirements as regards decision-making structures and self-assessment mechanisms (cf. BMVEL 2002). Nevertheless the regions are acting 'in the shadow of hierarchy'. The aim is an improvement of funding for rural development without waving the control, using 'Management by Objectives' and not the bureaucratic approach of 'Input Controlling'. To assess their achievements and highlight the more detailed aspects of project management, the regions are required to set up a support and self-assessment system (learning regions) (cf. BMVEL 2002).
2. *New Role of Civil-Society - Regional Partnerships instead of top-down steering:* While the regions can select and implement the measures they estimate to be appropriate to achieve the goals of the scheme and their IDPs, they must ensure that the respective social groups are included in planning, implementation and assessment of the regional development process and in the distribution of available funding. Partnership networks must be formed between the actors, municipalities, regions and non-state actors. There are two levels of partnerships: the horizontal partnerships between regional partners and the vertical partnerships between BMVEL and the region. A new steering approach should only be implemented within the regional partnership. Examples are readily

available in existing forms of regional cooperation like Agenda 21, round table meetings and regional action groups (LEADER<sup>1</sup>) (cf. BMVEL 2002: 6).

3. *New Common Identity - Regional Budget*: Every model region disposes of its own budget (2.1 million euros on average) provided by the BMVEL during the period from 2002 to 2005. The Integrated Development Plans (IDP) are binding for the allocation and the use of funding. The promotional spectrum is extremely broad-based, ranging from soft measures like regional management or promoting education and soft skills to hard measures like promoting investment or infrastructures and regionalised agri-environmental measures (cf. BMVEL 2002).

Following the principles of subsidiary and decentralisation, the competition 'Regionen Aktiv' shifts competencies into the regions to regional governance structures. Because of the new program-orientated steering approach the partnerships are capable to select measures they see as appropriate to achieve their goals and the regional budget gives them the possibility to finance their selected measures. Table 1 shows the differences towards the new steering approach.

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<sup>1</sup> LEADER+ is one of four so called „EU Community Initiatives“. The aim is to foster rural areas through integrated development plans and cooperation among the relevant actors in Locale Action Groups.

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Table 1: Differences in Steering Approach

<b>Policy of funding ‘tomorrow’ (Regionen Aktiv)</b>	<b>Policy of funding ‘yesterday’</b>
Programme-orientated	Project-orientated
Enter into competition: Competition among the regions for the best programmes, competition within the selected regions for the best projects	‘greyhound-principle’ (first-come, first-serve basis) ‘watering can-principle’
Controlling in partnership: exertion of giving a frame (Federal Ministry) and detail-based control system (region) (subsidiarity / decentralisation)	Top-down controlling: giving a frame and detail-based control system takes central place by financiers.
‘Trust is good’: continuous control and self-assessment by the partnership (evaluation and monitoring / controlling)	‘control is better’: prior control, external assessment (in time: ex-ante, mid-term, ex-post)
Recipient of funding has active part: forms funding and selects own measures	Recipient of funding has passive part: uses funds and the financier generates lists of eligible measures
Stimulates endogenous resources and development	Emphasizes exogenous development
Target-orientated: Management by Objectives	Guideline-orientated: Input Controlling
Integrative target on spaces (regions)	Predominantly sectoral-orientated

### **3.4. Data Sources**

The following results base on three main data sources and information basis. First experiences dealing with the conception stage and the implementation of “Regionen Aktiv” were made in two research projects at the Institute of Spatial Planning, University of Dortmund (IRPUD) (Elbe, Kroës and Schubert 2004a / 2004b). Additional information comes from the continuous consultancy work of the authors both on federal level and in some single regions (cf. Elbe and Meyer 2005). In total, the authors and some other colleagues conducted nearly two hundred semi-structured interviews and attended about 30 workshops organised either by the research group or the stakeholders themselves. The third pillar includes documents from the model regions (Integrated Developments Plans, Annual Report 2003, Mid-Term Evaluation), the final report of the scientific accompany research (2002-2003) (Knickel et al 2004), major results of the

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EU-Initiative LEADER (Tödting-Schönhofer, H. Lukesch, R. et al. 2003; 2004) and first results form the second accompany research (2004-2006).

## **4. Results**

### ***4.1. Governance of Networks***

Governance of networks means the successful implementation of social institutions guaranteeing rational decision-making for self-regulation of participants' cooperation. As far as network membership is voluntary, the most important task of these institutions is the balance of different interests by appropriate communication management and by generally accepted rules leading to common agreements and joint action.

According to this, the implementation of a functional framework for corporation was the first aspect in focus of the regional actors in "Regionen Aktiv". Due to LEADER+ and several other programmes, some regions involved in 'Regionen Aktiv' had the possibility to use existing partnership structures, but in most cases multi-actor policy networks and its central instruments for governance had to be developed at the beginning of the process. Moreover, institution-building dominated the first two years and in a couple of cases it had been finished only straight before the mid-term report in late 2003.

Hence, the initial success of 'Regionen Aktiv' was this formation of new partnership structures including several companies (from the agricultural as well as from other sectors), interest groups, governmental and non-governmental organisations. These networks were, in most cases, formally established as associations following the German 'Vereinsrecht'. According to these juristically implications, managing committees, governing bodies

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and several institutions for decision-making within this organisational framework had to be build up.

In general, the regional governance structures of “Regionen Aktiv” depend on three pillars:

- At first, there is the regional partnership (RP) itself as governing body and therefore the main institution for decision-making including the key regional interest groups (agriculture, environment, craft and trades, administration<sup>2</sup>).
- Secondly, there is a professional regional management (RM) to support the partnership (100% aid intensity and max. 20% of the regional budget). Among its tasks are the preparation of decisions and the support of the projects and its management
- And thirdly a public completion partner (AP) is held responsible for the financial settlement of the projects by the federal ministry and therefore controls the legal discharge of public money for ‘Regionen Aktiv’ projects.

Additionally, several different forms of committees, working groups, commissions, boards etc. had been formed and durable installed for including external competences, experts and key actors not involved in the regional partnership.

Summing up the general experiences during the first two years, one can draw the following conclusions on the *functional aspects* of these governance institutions. Concerning the *governing body of the RP*, some critical comments have been made on the efficiency of plenary sessions and full assemblies of members. Nevertheless, these opinions are exceptions,

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<sup>2</sup> By instruction of BMVEL, the participation of administration is restricted to a minority of less than 50% in decision-making institutions of the partnership.

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regarding chiefly some management problems in the beginning. The overwhelming majority of regional actors highlight the important impacts of these meetings, bringing different regional interests and perspectives together. Especially the decentralised concept of governance, the participative process of institutional development and the constructive work of equally filled managing committees are widely seen as main advantages of the 'Regionen Aktiv' process.

This positive feedback is largely an outcome of the work of the *RM* and its preparation of member meetings. Additionally, regional actors are generally satisfied with the endeavour of the *RM* that is, in most cases, the driving force for the whole process. Nevertheless, there are several critical points concerning the institutionalisation of *RM*, the division of labour between different organizational parts of management (especially between honorary working members of partnership organisation and the employers of regional management) and the communicational process in general. Most of these critiques can be interpreted as a direct outcome of the difficulties in coordinating heterogeneous networks and not as a result of fundamental management failures or principally dysfunctional structures.

The statements on the great variety of social institutions implemented during the first two years of 'Regionen Aktiv' are as different as these institutions are. Only few general remarks can be made: first, the attempt to re-activate the former working groups created to develop the *IDP* failed almost everywhere as a result of the increasing labour burden for – in most cases honorary working – delegates from civil-society groups and commercial enterprises. Second, some of the newly established working groups, committees, commissions etc. are not able to fulfil their defined function because the implementation process of other institutions (especially the regional management) is not yet finished. In Saarland, for example, three 'decentred competence centres' (*DKZ*) were built to support the

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project coordination on a sub-regional level. Due to the delay in forming the RM structures and the initial permission of projects, the DKZ are still not able to realize this task because of the early stage of project development (see Brandt 2004 for more details). Nevertheless, in most regions these additional institutions seem to be good supplements to RP and RM.

In general, the successful integration of all regional interest groups needed for the realisation of the IDP, the declining political resistance against this task, the openness of the partnership for new members and the fair communication and information transfer processes within the network are mentioned as important successes of 'Regionen Aktiv' by stakeholders (see Knickel et al. 2004 for more details).

As mentioned above, the most difficult task for governance of networks is the process of *balancing different member interests* and aggregates it to a *communally shared position*. Conflict management is the key issue and the difficulties vary according several different aspects (e.g. number of opposing interests, the degree of contradiction, the subjective ascribed importance of decisions etc.). While, in the worst case, conflicts between network members may lead to a breakdown of the whole network, some positive effects by initiating a continuous learning process can also be assumed.

In 'Regionen Aktiv', most actors stresses this positive aspect of their discussions on the development of network institutions, the acceptance of project ideas and the determination of concerted action. For better understanding of other interests, the inclusion of a wide range of opinion groups and the settlement of transparent democratic decision-structures, in some regions network members even accepted long-lasting and difficult communication processes. To a certain extend, the reason for this positive feedback is a selection effect because of the withdrawal of frustrated

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members (e.g. if their project ideas were rejected), but in general the number of actors leaving regional partnerships remained rather small.

However, this does not mean that the sustainability of these newly implemented structures is already guaranteed. For sure, the financial support from the federal state is still the most important linkage between network members and the durable stabilisation of these regional partnerships will be primarily a result of effective governance through networks.

#### **4.2. Governance through Networks**

Governance through networks is the successful steering towards achieving common goals within a shared social environment. The main question is how far the regional partnerships of governmental and non-governmental organizations are able to develop and to implement collective policy-strategies that are both innovative and goal oriented? The term ‘innovative’ is subsequently used only regarding the elements of ‘Regionen Aktiv’ steering approach. The question on how far single projects in the model regions are ‘innovative’ is not further validated. Thus, innovative elements for governance through networks in the above named terms are:

- competition among the regions (for the funding), competition within the regions (for the best projects)
- target-orientation
- Instruments of self-control and learning in the regions (e.g. monitoring, evaluation).

The experiences gained from ‘Regionen Aktiv’ on developing and implementing innovative policy-strategies are highlighted referring to these three elements.

In the phase of *developing commonly shared policy-strategies* (phase 1 and 2 of the competition), drawing content and structure in paper form was quite

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simple for the applying regions. Nevertheless, the first obstacle was to overcome in this early phase: the favour of actors was to be gained for active participation in IDP definition or at least for signing the Letter of Intend. The applying IDPs showed experience of some regions in writing IDPs (application professionals) or buying-in IDP-writing knowledge and regions which were new in this field and willing to make their way without external help (learning by doing).

The minimum content of the IDPs defined in the call for tenders was provided in varying quality by the regions. The chapter 'Short Description of the Region' was to describe the common identity and it was clearly discernable which regions related their identity to grown structures (12 model regions: e.g. common history, natural landscape delineation) and thus were in advantage over 'artificially formed' regions without grown community and rather general common problems as e.g. high rates of unemployment (6 model regions).

In the fields of regional analysis, objectives, regional development strategy and fields of action, the regions basically tried to comply the four BMVEL goals – although focussing on one of them was possible and yet preferable for many regions. Furthermore the regions to some extent phrased objectives which are out of achievement regarding the limited funding of 'Regionen Aktiv' like fighting unemployment or stopping emigration.

The chapter on impact assessment, i.e. the structure for the assessment of the process and its impact on the achievement of the common agreement on objectives as well as of the effects on the further development of the region, was very well elaborated technically and theoretically and from a scientific point of view.

Most of the 'partnerships' were meant to realize the theoretical structures in the first two years (*'implement commonly shared policy-strategies'*):

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- *Competition among the regions (for the funding):* The competition between the selected model regions is limited to the so-called ‘performance and quality reserve’ (achievement-bound reserve). The first tranche of this reserve was paid after the mid-term evaluation (100.000€). The second tranche was paid in 2005 based on an assessment of objective achievement. Although the financial incentive was of a lower order, all the regions took the requisitions for the reserve seriously.
- *Competition within the regions (for the best projects):* Competition for the best projects or even project ideas happened only in nine model regions. Here, the aim was to activate potential project partners and to generate new project ideas. As normally more funding was accessible than projects to fund, most of the projects run unrivalled. Based on project selection systems developed by the different regions, more than 600 projects were realised up to now and most of them with pronounced grassroots’ orientation. Due to the high pressure of time, mainly with the beginning of the funding phase, feasibility and inventory studies dominated in the beginning with a recent strong emphasis on realisation and investment projects. As regards content, the emphasis of the projects is in regional and direct commercialisation as well as tourism.
- *Target-orientation:* A crucial principle of ‘Regionen Aktiv’ is the steering of the regions by target-orientation. Up to now, the competition shows that the regions only achieve the operationalisation of their objectives to a very small extent. Although the requisitions were repeatedly stated, results are not satisfying up to now. One main reason for differences and problems by using the agreement on objectives within the framework of regional promotion is to be found in the actor’s structure at the implementation level. The resources for implementation are merely depending on honorary work and the outcome of

continuously work on defining a mission statement, deriving objectives, defining products etc. does not result in direct benefit for single actors. Another reason is the missing of the operationalisation of the four aims on programme level and the missing link between the working level of the model regions (project level) and the requisite for overall projects goals for the programme level. While still lacking a common approach of management by objectives, it has to be questioned, whether and on which stage of the competition BMVEL and the regions are able to develop shared objectives.

- *Instruments of self-control and learning in the regions (e.g. monitoring, evaluation):* The structures for the instruments of monitoring and evaluation of the implementation process described in the chapter on impact assessment were only established in some isolated cases in the regions (e.g. Weserland, Ostfriesland). This lack of implementation of regional evaluation structures provoked a centralised mid-term evaluation by the BMVEL. With the aid of a guideline based on so-called ‘Erfolgsfaktoren’<sup>3</sup> (factors of success), the regions had to present a mid-term report.

One has to remark two things: On the one hand, the high pressure of time promoted the approval of projects that would no longer be funded with regards to the up-to-date self-perception of the regions. On the other hand, regions are now working hard on uniting single ideas into a comprehensive concept and pay more attention to monitoring of implementation results.

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<sup>3</sup> These factors of success are: Pressure of problems and will to find a solution; Project-design that supports win-win coalitions; Short term success; Manageable structures and opportunities for linkage; Powerful intercedes and partners; Learning aptitude and exchange of information; Transparency, process competence, and flexibility; Participation; Regional promoters as policy entrepreneurs; Critical mass of labour time and money for the regional management; Competent regional management (for details see Böcher 2004).

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However, a synopsis of the evaluation results for the single projects is still missing. Successful “governance through networks” is yet not reached.

## 5. Discussion and Conclusion

Within ‘Regionen Aktiv’, the *determinants of network governance* have once more formed the pre-requisite for ‘good governance’. Without a *strong state*, weaknesses in the area of target-orientation would have been much more significant. The most important result of state initiative is the formation and institutionalisation of regional partnerships – even if their sustainability is not yet guaranteed. Although in the area of target-orientation and impact assessment one has to state rather a muddling through than a systematic learning process, slight success is also visible for implementation of policy-strategies. The BMVEL’s constant provision of incentive and pressure has been a considerable component.

Opposite to this positive external role of state authorities to network governance, the influence of (regional) state actors as network members can be described as following: the stronger the influence of state actors directly involved in policy networks on the process of decision-making, the less the willingness of civil-society groups to participate. Although a ‘strong state’ as an outside force is needed to ensure cooperation in policy-networks, a ‘strong state’ as a member of multi-actor policy networks seems to be problematic because of the risk of self-determined exclusion of the ‘strong civil-society’. Functional policy-networks need to be ‘in the shadow of hierarchy’ not only in terms of regulation (as a threat for failing self-regulation in network negotiations) but also in terms of motivation (as an incentive for interest-based activities of non-governmental actors to

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participate in self-regulation). As an equal righted partner within the network, state authorities must keep the ‘hierarchy in the shadow’.

The partnerships within the regions require on a *common identity* for not getting shipwrecked. This is particularly the case, when the partnerships are forced to assign budget priorities. The often cited win-win situations can seldom be realized in practice. It is furthermore crucial to organize benefit for all the involved parties and at the same time a trade-off between personal and common benefits/objectives has to be provided. Therefore, building-up common identities still remains an on-going important task even in regions with long-lasting traditional ties.

The *strong civil society* shows close interdependency with the common identity. Inherent problems like unbalanced power distributions can only be overcome within time by means of catharsis processes and pressure from outside. Doubtless, ‘strong civil society’ actors increase the demand for good conflict management and therefore complicate the task for regional management. The new partnerships in the model regions form on their own new elements of a strong civil society. Only those partnerships that will be able to include civil-society actors and to develop commonly agreed conflict management institutions will be able to continue beyond the funding phase of “Regionen Aktiv”.

In general, ‘Regionen Aktiv’ was successful in implementing appropriate institutions for governance of networks in its model regions and, at least, some first steps were made to implement commonly shared policy-strategies. Nevertheless, there had been remarkable variations between the participating regions. Three key variables influencing this *regional differentiation* of governance performance should be mentioned here:

- *Cooperation experiences*: Disadvantages of some regions at the starting-point prolonged the process of institution building and made the

management of conflicts to balance member interests more difficult. These disadvantages concern not only the lack of an appropriate infrastructure for network governance but also less experiences of key actors both in cooperation with each other as well as with regional developing programmes (sometimes also caused by the pressure of time). Nevertheless, the effects seem to be concentrated on the time scale (e.g. duration of institution building) and do not automatically lead to quality differences in functionality of institutions or strategies.

- *Structural heterogeneity*: While some regions are administrative units, sometimes with a long historical tradition and a strong sense of regional identity, others are new formed entities that cross various political borders. Structural heterogeneous regions needed more time to develop a common identity and in some cases it is uncertain whether they will make it at all. Although the social institutions for governance of networks are not worse than those in other regions and conflict management is sometimes even easier because of the absent of traditional enmities, the success of 'Regionen Aktiv' seems to be questionable. The most difficult problem seems to be the balance of expense and return between the different administrative parts and is yet not solved properly (e.g. Knickel et al. 2004).
- *Size*: Size is very important for governance of networks both in terms of the number of network members as for the geographic scale of the region itself. A rising number of network members endanger the efficiency of cooperation in general and of decision-making in particular. Limitation of network size, on the other hand, restricts the democratic potential of the new-build institutions and will probably lead to political resistance. The population size of the region corresponds with this problem: the more people live in a region, the more interest groups have to be involved in partnership. Moreover, geographic

distances (sometimes strengthened by the effect of administrative boarders) make the development of trust between members more difficult. Governance of networks seems to be easier in smaller regions with only a few numbers of actors to be involved in the network. Huge regions like the Ruhrgebiet, the Saarland or the Weserland probably need a multi-level structure of their regional networks that obviously result in additional difficulties for governance.

As a conclusion, the regional disparities mentioned in the theoretical part of this paper (chapter 2) seem to have more evidence for the speed than for the quality of the development of regional network governance.

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