

THE NEW REGIONALISM AND THE ROLE OF INTERMEDIARY ORGANISATIONS IN REGIONAL DEVELOPMENT

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Introduction

Debate over the importance of territorial development policy in achieving mainstream objectives of government – economic competitiveness, modernizing public services, addressing inequalities and protecting the environment (OECD 2001, Gleeson and Carmichael 2001, BTRE 2003) - has re-emerged over the past decade or so in Australia and the United Kingdom. There has also been a growing discussion about the ‘New Regionalism’ (NR) (Tomaney and Ward 2000, Wheeler 2002, Rainnie and Grant 2005, Wesley- Scott 2007). The NR is a body of work that argues regions are an appropriate scale for governments to promote sustainable development in the context of a globally competitive knowledge economy (Morgan 2004a). Central to recent debates about the NR is the growing importance of partnerships to organise these interventions and the extent to which they influence territorial development outcomes (Edwards et al 2001, Morgan 2004, Bellamy et al 2005, Eversole and Martin 2005, Wesley- Scott 2007). However, few studies have examined how governments might reorganise public administration arrangements to work through partnerships at different territorial scales, and how these new arrangements may inform the role of partnerships in regional development. This paper is part of an ongoing PhD research project that is examining the role of partnerships in contemporary regional development strategies through a critical evaluation of the NR.

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Over the past six years I have been involved in a variety of administrative leadership positions in the Victorian Government in Australia focusing on social inclusion, regional development and workforce participation. In 2002 I coordinated a *Learning Cities and Regions* (LCR) conference in partnership with the Organisation of Economic Co-operation and Development (OECD), which sparked my initial interest in the NR. The conference had a strong alignment with the NR by emphasising the importance of investing in the capabilities of regions to help them learn and innovate in the context of a globally competitive knowledge economy. Later I led the development of advice for Government on contemporary changes in Victorian society and how they were impacting on social exclusion (DPC 2005b). This work concluded that accelerating economic and social trends such as population ageing and the shift to a knowledge economy required a new policy architecture to promote social inclusion. It was argued this new policy architecture needed to focus on addressing disadvantage and building the competitiveness of places through investing in a range of capabilities (human, financial and social capital). This work informed the Bracks/Brumby Governments policy framework to promote social inclusion – *A Fairer Victoria (AFV)* (DPC 2005). A key policy objective of *AFV* is to promote social inclusion through empowering people and communities to set priorities and make decisions through new partnership arrangements at a local level. These partnerships are a new form of public administration that can be characterised as ‘intermediaries’ because they are established to mediate between Ministers and departments of state, and external bodies (Local Government, business, citizens and community organisations) (Davies 2007). In investing responsibilities and resources in these intermediaries, governments are assuming that non-state actors can be organised to do things, thus giving communities and regions greater resilience and capacity to adapt and prosper in a globally competitive economy (State of Victoria 2005, Adams and Hess 2006, DVC 2006).

My interest in this research topic is derived from designing these new policy architectures and working within new intermediary arrangements, and a desire to explain why they are important for governments to promote sustainable development at different territorial scales. The question that motivates this research is: why are intermediary organisations important in contemporary regional development strategies? It will argue the value of

intermediary organisations lies in their ability for governments to organise regional agency. In testing this argument I intend to examine how intermediaries go about organizing regional agency and how governments are changing public administration arrangements to influence this role. With some important refinements the NR can provide the basis for a methodology to test this argument and answer the key research question.

The paper first situates the NR in relation to Keynesian and neoliberal ideas about regional policy. Examining these debates is critical to defining the NR which is a contested debate (Loving 1999, Wheeler 2002). The NR emerged as an influential idea in the mid 1990s and has focused on establishing an institutional theory of regional economic development, based around the idea of the associational economy (Cooke and Morgan 1998). The NR argues that partnerships are important because they build the strength and diversity of intra-organisational networks (defined as ‘institutional thickness’), and that these associational networks promote learning and innovation (Cooke and Morgan 1998, OECD 2004, Smyth et al 2004, Coulson and Ferrario 2002). There is a counter argument that partnerships and institutional thickness are not important because national and global economic dynamics determine regional outcomes; regional partnerships are separate from mainstream policy settings, such as education and the labour market; and that traditional departments of state face significant barriers to working in partnership at a regional level (Beer et al 2003, Bellamy et al 2003, Jones 2004, and MacLeod 2004). This debate about building institutional thickness through partnerships is central to understanding what makes the NR distinct from neoliberal and Keynesian ideas about regional policy. Neither of these other perspectives put a value on government working with non-state actors to design and deliver policy interventions. The paper argues the NR is distinct because of the proposition that regions have agency and this can be organised.

The paper then dissects the two key elements of the NR (regional agency and how to organise it) and concludes with an analytical framework to answer the research question. The paper argues the NR focus on regional innovation systems is too narrow a conception of regional agency (Boekema et al 2000, Cooke 2001). A broader focus is needed on the

assets that a region is endowed with and how they can be configured to produce social, economic and environmental value. To date the NR has used concepts of governance and partnerships to describe how this agency can be organised, which does not sufficiently delineate how these new arrangements are different to other forms of public administration such as departments of state and quasi-autonomous agencies (Flinders 2004, Smith et al 2006). The paper draws on the concept of 'intermediary organisations' and argues that this definition is important because it is an analytically distinct form of public administration. It adds an important normative element of dialogue and the capacity for some level of autonomy for civil society from the state and market (Davies 2007). The key role for these intermediaries is to organise regional agency by setting priorities and marshaling resources through inclusive regional planning. The state is reorganising to work with intermediaries through contested processes of devolution and democratisation (Lloyd and Peel 2006, Mawson 2007). The paper concludes within an analytical framework that is currently being used in the UK and Australia to understand the contested role of intermediaries through examining how and why governments are reorganising public administration arrangements across key elements of the 'life cycle' of intermediaries.

Contemporary regional policy from a policymaker's point of view – a case study of Victoria, Australia

Regional development policy is in a fluid state and changes over time (BTRE 2003, Tonts and Haslam-McKenzie 2005). It focuses on particular spaces but its scale is not agreed (Gleeson and Carmichael 2001). Regions are also diverse; they can be labeled as old industrial, coastal growth, remote rural towns, fast growing, and outer metropolitan (ALP 2007). These regions have a mix of issues, such as industry restructuring and unemployment, poor service provision, growth and environmental pressures (BTRE 2003). The common thread here is geography and difference and a concern from governments about how to manage growth and address inequalities at multiple territorial scales. The focus of government effort and how it sets the rules of engagement are also contested. Regional development strategies can focus on entirely on economic metrics (employment, levels of investment), but may also include social (educational attainment,

inclusion), and environmental (environmental flows, energy consumption) considerations (BTRE 2003, ALP 2007). Regional development strategies also wax and wane with government sometimes playing a role, and sometimes no role at all (Gleeson and Low 2000, Tonts and Haslam- McKenzie 2005). In crafting regional policy governments draw on different ideas and respond to changing socio-economic and political circumstances.

In 2002 I was involved in an analysis of medium term policy challenges for the Victorian State Government in Australia led by Premier Steve Bracks² that extended to regional policy. The core elements of regional policy, such as questions of scale, whether it covers metropolitan and rural areas, how to define development and craft policy objectives, definitions of the drivers of regional development, and the policy levers that government could employ were contested. The Bracks/Brumby Government 2002 electoral commitments to regional policy had a strong focus on increasing investment, jobs and population growth in rural Victoria. The question was how to achieve further improvements against a recent history of static or declining economic performance and population levels. Much of the debate at a central agency level revolved around what should not be done, particularly the distorting effects and negative fiscal impacts of traditional policy instruments such as investment in infrastructure, and increasing tax breaks and subsidies for households and firms to relocate into rural Victoria. These debates in Victoria about spatial equity and competitiveness were happening against a history of State Government withdrawal from active intervention in territorial development.

The Bracks Government had been elected in 1999 after defeating the Kennett Government which had pursued a neoliberal and New Public Management (NPM) reform agenda over six years (Costar and Economou 1999, Adams and Wiseman 2003). These neoliberal ideas led to a withdrawal from active intervention in territorial policy and a shift toward policies that enabled market forces to determine patterns of local and regional development. The Kennett Government devolved responsibility for territorial development to Local Government and undertook a significant reform of the urban

² Referred to from here as the 'Bracks/Brumby Government' – Former Treasurer John Brumby replaced Steve Bracks as Premier of Victoria in August 2007.

planning system to allow more discretion for developers (Gleeson and Low 2000, Buxton et al 2001, Buxton et al 2005). This neoliberal logic was also applied to cut public expenditure and reduce the number of State Government departments from 22 to 8 and the number of Local Governments in Victoria from 219 to 78 to achieve better economies of scale in public administration (Johnstone and Kiss 1996, Proust 1998). These reforms were organised and delivered by introducing performance and competition based accountability arrangements and such as the purchaser- provider split into the Victorian Public Service (Armstrong 1998, Proust 1998, Kluvers 2003). It included changing the Victorian Financial Management Act so Departments had to specify outputs, performance measures and account for the full cost of delivering services whilst achieving improved efficiencies over time (Proust 1998).

At the 1999 State Election the then opposition party led by Steve Bracks committed to a more active government role in addressing inequalities and promoting territorial competitiveness. Its 1999 electoral platform was summarized as four themes: financial responsibility, revitalizing democracy, restoring services, and growing the whole state (Adams and Wiseman 2003). The first two years of the Bracks/Brumby Government involved significant reinvestment in core social services and a new whole of government policy framework, *Growing Victoria Together (GVT)* (Adams and Wiseman 2003, Wiseman 2006). At the heart of *GVT* was a commitment to balancing public expenditure between social, economic and environmental priorities (DPC 2001). To diversify Victoria's economy and invest in long term productivity growth *GVT* made strong commitments to early childhood and school education, training and innovation, and social infrastructure. It also committed to delivering these objectives for disadvantaged people and communities through new public administration arrangements that were distinct from the NPM. The Community Building Initiative launched by the Bracks/Brumby Government in 2001 introduced a whole of government commitment to new ways of organising and delivering initiatives to address inequalities and promote competitiveness at a local level characterised by partnerships between government and local communities (Wiseman 2006). New accountability arrangements such as Ministers and departments taking responsibility for places, and new policy instruments such as area-based funding and partnership agreements were introduced (DPCD 2008). The

OECD at this time was also arguing for increasing the role of local and regional partnerships in promoting territorial development (OECD 2001a and 2004).

The OECD- Victorian Government *LCR* Conference in 2002 provided an intellectual framework to explain and examine these emerging trends in territorial development policy in Victoria (Department of Education and Training 2002). The conference agenda blended the education, social inclusion and innovation priorities of the government with the findings of a recent OECD publication *Cities and Regions in the New Learning Economy* (OECD 2001a). The publication made the case for a new approach to local and regional development based around: investment in education and training; encouraging firms to innovative through working together; letting regions take an entrepreneurial approach to development based on their existing assets; and, promoting social and economic inclusion (OECD 2001a). The report also recommended that governments should reorganise at a regional level to join up different agencies, business, educational institutions, and communities and strengthen ties between them through building social capital. The ideas embedded in this OECD report resonated with the Victorian Government, enabling it to link its emerging commitment to local partnerships with mainstream economic objectives to invest in education, training and innovation.

After re-election in 2002 the Bracks/Brumby Government released medium-term statements on regional development and social inclusion (DPC 2005, State of Victoria 2005). A common thread in these statements was a focus on investment in human capital and promoting innovation to address spatial inequalities and build competitiveness (DPC 2005 and 2007, State of Victoria 2005). This human capital agenda was set out in the Government's blueprint for a new era of cooperative federalism for both levels of Australian Governments through the National Reform Agenda (NRA) (DPC 2005a). The NRA argues that policy settings need to focus on investing in human capital to build Australia's long term competitiveness (early childhood, school and post compulsory education, and preventative health). It marked a shift away from the neoliberal ideas that had dominated Australian and Victorian economic policy debates throughout the 1980s and 1990s (Pusey 1991). The Bracks/Brumby Government has also reorganised public administration arrangements and introduced new policy instruments to invest in the

capabilities of local communities and regions (DPC 2005, State of Victoria 2005). This included establishing eight Regional Management Forums across the state to coordinate work between State and Local Government, introducing project teams to deliver place based initiatives, creating a single on-line entry for community grants, and introducing inter-departmental taskforces to work in collaboration with intermediaries at regional and local levels (DPC 2005 and 2007, State of Victoria 2005, DPCD 2008, G21 2008).

The Victorian experience over the past decade is a case study of contemporary ebbs and flows in regional development policy. The transition from the Kennett to Bracks/Brumby Governments is similar to that from the Conservatives to New Labour in the UK in 1997 and the re-engagement of government with regional policy to achieve mainstream policy objectives in a period of continuing neoliberal reforms. The general approach set out in the LCR conference about the importance of harnessing the human, financial, and social capital embedded in regions to promote innovation and growth complemented the mainstream policy agenda of the Bracks/Brumby government. These ideas have influenced the regional policy settings and resource allocation choices of governments across the OECD, indicating a general trend toward the growing importance of partnerships and governance in regional policy (OECD 2001, 2004). The ideas and strategies set out in *Cities and Regions in the New Learning Economy* report are themselves situated within broader debates about the New Regionalism (NR) (Wheeler 2001, Rainnie and Grant 2005). It is important to evaluate the theoretical underpinnings of this contemporary approach to regional policy, and determine how it distinct from past reform agendas in regional development policy.

Situating the New Regionalism – territorial development beyond neoliberalism and the NPM

The NR has two key characteristics: first, an institutional perspective on economic development based around the idea of the associational economy (Cooke and Morgan 1998, Cooke 2001); and second, the importance of partnerships between organisations to promote learning and innovation (Smyth et al 2004, Morgan 2004, Coulson and Ferrario 2007, Wesley- Scott 2007). The emergence of NR ideas in mainstream policy debates in

the early 1990s was associated with increasing spatial concentrations of growth and disadvantage; and a critique of Keynesian and neoliberal approaches to addressing this issue (Smyth et al 2004). Up until the 1970s Keynesian ideas had dominated mainstream political and policy thought and regional policy strategies (BTRE 2003, Tonts and Haslam-McKenzie 2005). Regional policy interventions at his time were delivered through industry and economic development departments and key policy instruments included infrastructure investment to induce demand in depressed regions and utilizing subsidies and tariffs to influence industry location (Tomaney and Ward 2000, Beer et al 2003a, BTRE 2003, Lawrence 2005, Tonts and Haslam-McKenzie 2005, Lloyd and Peel 2006). During this period the region was conceived as an administrative unit of the nation state with a policy focus on attracting investment to boost jobs growth. The neoliberal critique that gained force in the 1970s argued that economic management is best left to the market (Beer et al 2005). Through these economic policy settings the state reduces taxes to improve efficiency, increases flexibility in capital and labour markets, and opens up public services to market forces through policy instruments such as competitive tendering (Adams and Wiseman 2003, Tonts and Haslam-McKenzie 2005, Lloyd and Peel 2006). The state itself was re-organised drawing on ideas from the NPM where performance objectives, clear outputs, and program deliverables are centrally planned based on signals from the market and political leaders (Armstrong 1998, Reddel 2002, Smyth et al 2004). These policy instruments tend to be 'a-spatial' and from this perspective the region is seen as a site with a particular set of attributes that gives it comparative advantage and decisions about policy intervention are calculated on the basis of efficiency and opportunity cost (Gleeson and Carmichael 2001, BTRE 2003, Tonts and Haslam-McKenzie 2005).

Although neoliberal reforms contributed to a period of sustained low inflationary growth, by the early 1990s two key negative consequences were emerging for some regions: first, a decline in the size of particular industry sectors, and productivity improvements which resulted in less low skilled career opportunities; and second, greater efficiencies and funding restrictions on public services and infrastructure that tended to disadvantage rural areas with low population densities and faster growing outer suburban communities (Stimson et al 1999, Gleeson and Carmichael 2001, Tonts and Haslam-

McKenzie 2005). The result of these changes was an uneven distribution of advantage and disadvantage across different areas, and a growing mainstream political concern with the risks associated with this such as inter-generational unemployment (Stimson et al 1999, Reddel 2002, Tonts and Haslam-McKenzie 2005, Lloyd and Peel 2006). In Australia there was never any sustained investment or mechanisms between governments to help regions adapt to these structural shifts. This can be attributed to the shared responsibility for urban and regional policy cuts across all three levels of government with the Commonwealth government occasionally becoming involved (Gleeson and Low 2000, Gleeson and Carmichael 2001, Tonts and Haslam-McKenzie 2005). The dominance of neoliberal ideology at the time negated the possibility of centrally planned interventions at a national scale to help particular industry sectors and areas (Industry Commission 1993, Tonts and Haslam-McKenzie 2005). There was a sense from Government that the goal posts had shifted and efforts to redistribute growth between areas would not work in the context of an increasingly competitive global environment (Gleeson and Carmichael 2001).

These changing patterns of regional advantage and disadvantage were also a product of increasing globalisation and the emergence of a knowledge economy (Cooke and Morgan 1998, BTRE 2003). These changes generate a set of structuring effects for regions that both constrain and enable the choices that can be exercised by different actors, particularly through new competitive pressures put upon industries such as manufacturing and agriculture. Drawing from Held et al (1999) and Held and McGrew (2003) globalisation is defined as the general expansion and deepening of intra-national cultural, political, economic and environmental relations that have accelerated rapidly since the 1970's. These processes have transformed state power, which is being dispersed across local, regional, national and supra-national levels; decreases the influence of nation state governments and increases the power of multi-national corporations; increases the pace of change for regional economies and communities; and creates greater socio-economic disparities and diversity between localities (Held et al 1999, Giddens 2002, Held and McGrew 2003, Dicken 2003). Alongside the transformative effects of globalisation the emergence of the knowledge economy is characterised by competitive advantage driven more by knowledge, learning and innovation (Porter 1990, Lundvall and Johnson 1994,

OECD 1996, Adler 2001, OECD 2000). This transition is defined as the growing importance of the various ways that knowledge generation and diffusion is connected to the production of goods and services (Porter 1990). These processes are becoming so important they can be characterised as a shift in the mode of production (OECD 1996, Castells 2000, Dunning 2002, Storper 2002). This shift toward a knowledge-based economy is also happening rapidly and concentrating at a local and regional scale, which increases the dependence of regions upon the capacity for businesses, individuals, communities and governments to learn and innovate as a means to increase wealth and employment (Florida 1995, Castells 2000, OECD 2000, Cooke 2002, Dunning 2002).

The negative distributional effects of this economic restructuring, and the growing importance of knowledge and skills has led to a critique of the neoliberal and NPM reform agenda and the emergence of new policy architectures, which have been given various labels including the Third Way, the Investment State, and a New Social Policy Architecture (Reddel 2002, Jensen 2004, Taylor-Gooby et al 2004, Geddes 2005). These new policy architectures have two key logics. The first is that government has a legitimate role to invest in the capabilities of people and communities (e.g. skills, civic participation, income generation), rather than just removing constraints of tax and regulation from individuals (Boychuk 2004, Jensen 2004, Geddes 2006). The second is an instrumental shift in the way governments are organised away from market based settings (e.g. purchaser – provider splits) toward partnerships and coproduction (Reddel 2002, Rodriguez-Pose and Gill 2003, Smyth et al 2004, Smith et al 2006). These shifts are apparent in the growing interest across the OECD in governments investing in the institutional factors that underpin economic growth and the competitiveness of nations such as knowledge, skills and culture (OECD 2000).

Governments have also began to recognize the interdependence between different dimensions of well being (economic, social and environmental), and the need to focus on concepts of sustainable development (BTRE 2003, Morgan 2004a, Eversole and Martin 2005, Lawrence 2005). The narrow performance objectives, output based resource allocation, and competitive service model of NPM approaches is not well suited to the complexities associated with the achievement of sustainable development outcomes at

multiple territorial scales (Eversole and Martin 2005, Lawrence 2005). This is where so called 'third way' debates about the importance of the state devolving responsibility to individuals, families and local communities and democratising decision making through dialogue, engagement and negotiation are situated (Giddens 1994 and 1998, Ball and Maginn 2005). This perspective gives greater emphasis to new accountability arrangements and public sector skills that enable governments to work collaboratively with communities to achieve outcomes (Hess and Adams 2002, Lawrence 2005, Carley 2006).

The NR draws on and is situated within these broader debates about new policy architectures that respond to critiques about the distributional impacts of neoliberal and NPM reforms, and new drivers of prosperity such as knowledge and skills. The NR argues that regional development is now resurgent because of the inability for neoliberal and NPM approaches to craft responses to accelerating spatial inequalities. In a fast changing competitive world, Keynesian-informed strategies to regional development will not be effective or financially sustainable. Both these approaches also ignore the interdependence of economic, social and environmental factors. Regional policies crafted through the NR framework broaden the substantive goals of local and regional development into areas such as natural resource management, education and training, liveability and land use planning, and health and nutrition (Wheeler 2001, Cooke 2004, Eversole and Martin 2005, Lawrence 2005). These are policy areas that move beyond the immediate boosting of employment and are concerned with a variety of endogenous factors that underpin regional growth such as infrastructure, knowledge and skills, and social capital (BTRE 2003). Alongside these substantive shifts these strategies also shift the state toward pluralistic regional governance that can better coordinate and marshal the resources of government, business and community organisations at a regional level (Reddel 2002, Bellamy et al 2003, OECD 2004, Brown 2005, Carley 2006). This emphasizes the importance of working with regional organisations and communities, and the possibility of regions having some sort of agency and control over choices about development.

The NR suggests a re-conception of how governments think about the region based around the idea of regional agency. Regional policy under a Keynesian and neoliberal reform framework sees the region through the lens of economic theory, as an object separate to government, defined through concepts such as the factors of production. If the factors of production are utilised inefficiently, governments may legitimately intervene to improve market outcomes (Tomaney and Ward 2000, Bathelt and Glucker 2003, BTRE 2003). The NR sees the region as constituted by a number of interdependent factors that cut across economic, social and environmental domains (Lawrence 2005). The region is also conceived as a partner that governments can work with in partnership to ‘coproduce’ different types of value (Alford 2002, Adams and Hess 2006). This coproduction at different territorial scales requires changes to the way government works (see- DPCD 2008). Regional policy under a Keynesian and neoliberal reform framework is organised through departments of state, primarily with an industry or economic development focus. This way of organizing public administration creates barriers to regional agency because it separates policy design from delivery and allocates resources and expertise around separate functions. To overcome these barriers the NR argues governments need to reorganise regional policy interventions around partnerships that can mediate between (and across) regions and central government agencies (Lawrence 2005). Drawing together these two key points the paper argues the NR is distinct from past reform agendas in territorial development because of the following proposition: regions have agency and this can be organised.

Regions have agency

The NR argues that regions should be conceived as a bundle of assets (human, social, financial, and natural) that can be configured to produce different types of value such as economic growth, healthier and more skilled populations, and improved environmental quality (Gray and Lawrence 2001, BTRE 2003, Bathelt and Bogg 2005, Adams and Hess 2006). These assets can be configured and used through communities and organisations sharing networks of association at various territorial scales (Cooke and Morgan 1998). For example, economic competitiveness depends on the capacity of a region to link human and financial capital through partnerships between universities and

business. The NR argues that these networks of association are sustained by institutions - shared norms, routines, practices, and a common sense of identity and trust (Adams and Hess 2006, Healey 2007). To describe the right mix of institutional arrangements Amin (1994) uses the idea of 'institutional thickness', which is defined as: strong presence of intermediary organisations such as chamber of commerce, good mixture of strong and weak ties between organisations; collective purpose between firms; and a strong sense of place identity (MacLeod 2004: 66). This ontology creates the possibility of business, community and government organizations working together to invest in and leverage the benefits of these assets; and therefore the capacity for regions to have agency. The NR argues that this agency enables regions to choose a development path and influence change (Cooke and Morgan 1998).

The NR has generally focused on the types of agency embedded in firms, educational and government organisations that have shared institutional ties (Florida 1995, Cooke and Morgan 1998, Cooke 2001, BTRE 2003). Cooke and Morgan (1998) and Cooke (2004) characterise this as regional systems of innovation. This idea of regional innovation systems is constructed from national systems of innovation theory and, institutional perspectives on social capital and learning (MacKinnon et al 2002). National Systems of Innovation (NSI) theory defines innovation as improvements in technical processes and products that result in productivity gains and new markets, which are generated through the collaborative effort of firms, governments, industrial research and development and universities at a national scale (Nelson and Rosenberg 1993, Freeman 1995, MacKinnon et al 2002). Cooke and Morgan (1998) argue that this NSI conception of innovation is an overtly structural approach and that innovation is better understood as a complex set of processes that are organised locally and are mediated by institutions (see also Cooke 2001). Drawing from institutionalist perspectives Cooke and Morgan (1998) argue that networks of association enable regions to link financial and human capital to promote innovation and growth. Cooke and Morgan (1998) and Cooke (2001, 2004 and 2007) focus on how this regional agency produces economic value through high technology manufacturing and its spillover effects into local economies.

This argument about regional innovation systems has been rejected by some writers, who negate the possibility or utility of regional agency (Morgan 2004a). The institutionalist perspective on the region has been commended as a useful innovation in understanding the socially constructed nature of economic activity but critiqued as theoretically confused and therefore difficult to verify (Wood and Valler 2004). This theoretical confusion is caused by the NR taking a constructivist position on the region which should privilege a methodological approach of verifying how regional development outcomes are produced within particular settings; and then arguing all regions are fixed political entities that need to build a knowledge economy (Cooke 2001, McKinnon et al 2001, McLeod and Jones 2001, Brenner 2003, Wood and Valler 2004, Rainnie and Grant 2005). These arguments are important in considering how to investigate the NR, rather than refuting the possibility of regions having agency. However, several authors refute the possibility of regional agency, arguing for example that the NR is: an ideological strategy for justifying the withdrawal of the state and prescribing local community based solutions (Lovering 1999, Geddes 2005, O'Toole 2005); part of the search for an 'institutional fix' in contemporary capitalism (Jones 2001, MacLeod 2004); and a way to enscribe competitiveness, flexibility, autonomy and risk onto regions (Lovering 1999, MacLeod 2001a). However, these arguments are difficult to respond to and draw on because they negate the possibility or utility of the NR (Morgan 2004a).

The NR argues that a region should not be understood as a site upon which the nation state and market forces can act on. Instead, it puts forward an embedded, historical, relational and contested view of region development (Bathelt and Glucker 2003). This opens new possibilities about how regions can act to influence and shape development outcomes. Through the notion of *regional innovation systems* these debates also have a tendency to focus on how regional agency produces economic value, and a narrow focus on a particular interpretation of the knowledge economy (Rainnie and Grant 2005). Although these industries are undoubtedly important part of local prosperity they are not the only variable. This puts the NR in danger of becoming a passing fad, and of focusing public resources on encouraging and promoting intra-firm innovation (Morgan 2004a, Rainnie and Grant 2005). What is needed is a broader emphasis on the political, social, economic and environmental assets that region is endowed with, rather than a sole focus

on high technology industries (Morgan 2004a, Lawrence 2005, Adams and Hess 2006). More attention also needs to be given to agents working through these associational networks, what is motivating them to be involved, and how they produce value (Alford 2002). This broader perspective argues that regions have different assets (economic, human, social and natural), which are interdependent and mediated by associational networks. Through these processes regions have agency through people, organisations and communities working together at various territorial scales to produce economic, social and environmental value.

Organising regional agency – the role of intermediary organisations

To enable regional agency the NR argues that governments need to change from a central and unitary role toward regional governance through local partnerships with government acting as an enabler, facilitator and broker (Cooke and Morgan 1998, Geenhuizen and Nijkamp 2000, OECD 2001, Eversole and Martin 2005). The NR argues that this shift constitutes the emergence of a new model of regional economic governance, which is labeled as the ‘Associational model’ by Cooke and Morgan (1998), an ‘Institutionalist perspective’ (Amin 1999), a ‘New Local Governance discourse’ by Reddel (2002), and ‘Associational governance’ by Smyth et al (2004). Amin (1999) identifies the following five principles to build institutional thickness: strengthen networks of association (rather than individuals); encourage voice and negotiation (as opposed to procedural rationality); mobilise a plurality of organisations in governance (rather than just the state); support alliances between organisations; and, encourage local approaches (rather than one size fits all) (Amin 1999: 368). These principles permeate the broader NR literature where associational governance is variously described in practice as: inclusion of other partners outside government in decisions about resource allocation and services; devolving resources and decision making to a local level; governance through networks based on trust and negotiation; prioritising effort around learning and innovation and strengthening intermediary organisations; and, inclusion of environmental and social issues in regional development (Cooke and Morgan 1998, Boekema et al 2000, Geenhuizen and Nijkamp 2000, OECD 2004, Smyth et al 2004, Eversole and Martin 2005).

Debates about this conception of partnerships in the NR generally focus on the gap between NR rhetoric of a shift toward regional governance, and the reality of changes to organisations, the distribution of powers of decision-making and resource allocation. Beer et al (2003), Bellamy et al (2003), and Brown (2005) argue that this gap is a reflection of a historical trend of lack of resources and political will to engage with regional development issues in Australia. Cooke (2004) identifies a similar lack of political and administrative will to ‘stick it out’ in a European Union (EU) context. This gap may be a product of the rigid way in which governments organise and operate. Bellamy et al (2003), Smyth et al (2004), Morgan (2004a), and Jones (2004) identify a lack of agency coordination (silo based management, disciplinary boundaries, jurisdictional issues), an inability to devolve resources (centralised funding and accountability), poor methodology (service provider focus at expense of engagement and capacity building, imbalance of power between partners) and, an inability to share in and learn from best practice as organisational barriers to developing integrated approaches for regional development in an Australian and EU context. However, neither side of this debate examines how nor why the state is introducing new public administration arrangements to support the shift toward partnerships in regional development. Examining how the state is reorganising to transfer roles and responsibilities to partnerships is the critical building block to understanding their role in regional development.

The first step in examining the role of partnerships is establishing a definition of them that is analytically distinct from other forms of public administration (Flinders 2004). The logic of intermediary organisations is important because they are established to *mediate* government, community and business interests in determining how to allocate public resources (Davies 2007). This mediation of interests is done by establishing an organisational space between formal departments and relevant stakeholders; and by using this space for dialogue about policy and resource allocation, rather than just consultation (Davies 2007). This establishes an ‘ideal type’ that can be used to identify and examine partnerships in contemporary regional development strategies. The establishment of these intermediary organizations has been central to Blair/Brown Government reforms in territorial development policy, and broader efforts to modernize public services (Davies

2007, Lloyd and Peel 2006, Mawson 2007). Policy reform was evident at a regional level through the establishment of Regional Development Agencies (RDAs) and voluntary assemblies in England, the creation of Local Strategic Partnerships (LSPs) across every Local Government area, and through neighbourhood based initiatives such as the New Deal for Communities and Sure Start for deprived neighbourhoods. Entwistle et al (2007) argue that these reforms align with three key objectives of the third way: democratising services through incorporating the ideas of business and community stakeholders, improved efficiency through leveraging private sector and community resources, and modernising services so they can address 'wicked issues' such as deprivation and innovation that require 'joined up' solutions (also see Lloyd and Peel 2006).

There is an associated literature, largely based in the UK that has evaluated how the state is reorganising to support intermediary organisations in neighbourhood regeneration strategies (Ball and Maginn 2005). The NR has not developed a working definition about the role of intermediaries in regional development strategies or critically engaged with an assessment of the practical work undertaken by them. The neighbourhood regeneration literature argues that the role of intermediaries is to build 'collaborative advantage', which is defined as the benefits derived by organisations working together in partnership (Ling 2002, Apostolakis 2004). This is built through intermediaries acting as brokers to bring communities and local organisations together to identify priorities, jointly plan actions, and marshal resources (Gleeson and Carmichael 2001, Geddes 2006 and 2007). In terms of specific policy instruments, Carly et al (2000) and Ling (2002) identify a broad number of formal (e.g. partnership agreements and pooled budgets), and informal (e.g. relationship building) policy instruments that help intermediaries to undertake this brokering role. This literature about the role of intermediaries in neighbourhood scale regeneration can be drawn upon to evaluate their role in regional development strategies.

The definition of 'intermediary organisations' and how they operate in neighbourhood regeneration strategies provides a way to understand how governments are reorganising to leverage different types of regional agency. There is a positive argument based around the idea of institutional thickness that intermediaries are becoming a more important way

of organizing public resources because they enable governments to work with regions and simultaneously invest in a diversity of assets. Intermediaries offer a more flexible way of making choices about resource allocation than traditional forms of public administration. They create space for dialogue about how different assets should be configured to promote sustainable development within a region. It has been argued that intermediaries in regional development strategies are marginal to the mainstream priorities of governments and beset by the barriers imposed by different departmental and jurisdictional structures (Geddes 2006). The thread linking both sides of this debate is the contested role of the state in establishing and supporting intermediary organisations (see Davies 2005, Carley 2006). A critical understanding about the role of intermediary organisations in regional development strategies will need to take account of how these contested processes happen.

How governments are reorganising to work with intermediaries

There are two key arguments about how the state is reorganizing public administration arrangements to organise regional agency through intermediary organisations: upwards/downwards restructuring (processes of devolution) and outward restructuring (or democratisation) (Lawrence 2005). From the perspective of regional development Cooke and Morgan (1998), Bellamy et al (2003), Jones (2004) and Morgan (2004a) argue that a distinction needs to be made between processes of 'regionalism' (demands from below of devolved planning and delivery), and 'regionalisation' (pushes from above of administrative reform). Bellamy et al (2003) and Eversole and Martin (2005) argue that both these processes have accelerated in Australia since the 1990s. Bellamy et al (2003) cite the growing importance of local government in areas outside of 'roads, rates and rubbish' and the establishment of Regional Economic Development Organisations and Area Consultative Committees by the Commonwealth Government as examples of this. Jones (2004) in a UK context argues that regionalization is the dominant strategy because regional boundaries, funding and accountability of RDA's are all determined centrally. Coulson and Ferrario (2007) and Mawson (2007) point toward structural changes in UK funding regimes through pooling urban regeneration budgets that are designed to encourage a greater role for regional governance through joined up action, public-private

partnerships and a more entrepreneurial approach. Wesley- Scott (2007) describes these as part of the “opportunity structures” provided by central government that can enable stronger regional governance (31). These arguments point toward the need to delineate between how the state establishes an overarching policy framework and rules of engagement for intermediaries (regionalization or devolution), and the political demands from below for a greater say in decisions about policy and resource allocation from lower levels of government and non-state actors (regionalism or democratisation).

There is some skepticism in the literature about the extent to which the state is devolving responsibility and resources. MacLeod (2004) argues that the NR focuses on local networks and reciprocal relationships rather than vertical and hierarchical structuring of governance relations, for example: how local institutions are mediated by labor market and education regulatory systems (MacLeod 2004: 68-69). Beer et al (2003) and Beer and Maude (2005) identify similar weak links with Australian Commonwealth- based labor market programs. A disconnection between local governance initiatives and mainstream policy agendas and resource allocation processes of government remains (Smyth et al 2004). However, Lloyd and Peel (2006) and Mawson (2007) argue that overall efforts to devolve resources and decision making and strengthen regional governance are central to the Blair Government’s ‘Third Way’ agenda. Governance reforms from 1997 included the established of regional development agencies (RDA’s) across England. The role of these agencies was to prepare an economic strategy for the region in partnership with key stakeholders. From 2001 three key reforms were introduced: (i) the creation of a single pot of funds for RDA’s to leverage additional funding; (ii) the introduction of a regional dimension into public service agreements negotiated between the Treasury and Departments; and, (iii) the transfer of skills and innovation functions to RDA’s (Mawson 2007). However, Geddes (2006) argues the UK Government has sought to colonise the autonomy and work of partnerships through centrally prescribed objectives and performance measures. In analyzing processes of devolution in regional development an important test is the degree of autonomy given to intermediaries to set performance objectives and develop spatial plans, determine priorities for action, and the kinds of mechanisms they have to influence decision making and the allocation of resources.

Alongside these contested processes of devolution the NR also argues that the state is reaching out to act in partnership (or democratisation). This can be achieved through ensuring local political ownership of the intermediary, allocating a pool of flexible funding for the partnership, utilising community engagement techniques such as citizens juries, and appointing local brokers who can support collaboration between partners (Carley et al 2000, Asthana et al 2002, Ling 2002, Seddon and Billet 2005, DPCD 2007).

This perspective is critiqued as having a naïve view of inclusion, dialogue and the capacity for different actors to reach equal consensus (Lawrence 2005, Geddes 2006). Phelps and Tewdwr-Jones (2004) argue that more focus needs to be given in the NR to different rationalities and strategies of organisations and actors within collaborative forms of governance. The literature argues that the NR is restricted to an uncritical conception of dialogue and collective action with little recognition about issues around the motivation of different actors in associative governance, how power is exercised by them, and how these different rationalities distort discourse (Phelps and Tewdwr-Jones 2004, Eversole and Martin (2005), Rainnie and Grant (2005). For example: the state comes from the outside to determine the framework for discussion and is the dominant player, which is reinforced by historically low capacity and marginal role for business and community groups in local economic development in Australia (Bellamy et al 2003, Beer et al 2003, Brown 2005, Eversole and Martin 2005, Rainnie and Grant 2005). This uncritical conception could lead to the danger of merging ‘community’ and ‘governance’ and reinforcing community elites and particular gatekeepers (Reddel 2002, Geddes 2006). In terms of outward restructuring (or democratization) the key issues to consider are who is (and isn’t) included in formal governance arrangements; how people and communities are engaged in decision making; the different rationalities and discourses at play; and, the rules and processes underpinning dialogue and decision making.

Conclusion

This paper has critically examined debates about why intermediary organisations are important in contemporary territorial development strategies. It has argued that the value of intermediaries lies in their ability to enable government to organise regional agency.

Testing this argument requires a theoretical framework to examine how intermediaries go about organising this regional agency, and how governments are changing public administration arrangements to influence this role. A critical engagement with the literature has identified the following ways that governments are reorganising public administration arrangements to work with intermediaries (Table 1).

Table 1: Analytical framework

Theme	Reorganising logics and strategies
Origins	Policy logics (neoliberal, Keynesian, new policy architectures) drawn upon to: provide an overarching policy framework for territorial development; justify the establishment of intermediary organisations; and, understand political, economic and social restructuring processes, historical trends and potential futures in the region.
Regional planning	Policy logics (neoliberal, Keynesian, new policy architectures) drawn upon to: frame priorities for the intermediary; determine performance objectives; define regional assets, how they should be configured and what benefits this is likely to produce.
Relationship to the state	Regionalisation - how the state establishes a framework or rules of engagement with the intermediary. Devolution – the degree of autonomy and choice exercised by the intermediary in: determining roles and responsibilities; objectives and performance measures; the scope of portfolio issues it can engage with; and the kinds of mechanisms it has to influence decision making and the allocation of resources.
Building relationships with non-state actors	Regionalism - political demands from below from lower levels of government and non-state actors for a greater say in decisions about policy and resource allocation. Democratisation - who is (and isn't) included; engagement techniques employed; the motivation of different actors; and, the rules and processes

	underpinning dialogue and decision making.
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The unit of analysis will be the various actors in the state, market and civil society who participate in the establishment and ongoing role of intermediary organisations in contemporary territorial development strategies. These actors include the intermediary organisation itself (e.g. staff who work for intermediaries and the documents they produce), and the government, business and community organisations that work with these intermediaries (e.g. business representatives on the board, and regional policy statements produced by government). Given the complexity and contested nature of these processes, a case study methodology has been chosen to examine how governments are reorganising responsibilities and resources through intermediaries. Each case is an area of recognised industrial restructuring and disadvantage with a distinct intermediary organisation playing an active role in planning and coordinating the delivering of regional and local initiatives. These criteria embed the intermediary organisation within a political economic context that reflects the NR's emphasis on the importance of partnerships in contemporary regional development.

Two case studies of intermediary organisations in Australia and the UK have been chosen. The Cradle Coast Authority was established in 2000 by nine Local Government authorities in North-West Tasmania (www.cradlecoast.com) (Cradle Coast Authority 2008). The East Midlands Development Agency was established in 1998 as one of the nine regional agencies by the Blair Government and the Sub-Regional Strategic Partnerships (SSP) that work with it across the region (www.emda.org.uk) (EMDA 2008). I am now undertaking in-depth interviews with Chief Executive Officers and Managers who work for these partnerships and leaders within the region from partner organisations - government, business and community. I am also reviewing key documents produced by these partnerships and other regionally based organisations including Corporate Plans, commissioned research, minutes of board meetings, memorandum of understandings, policy statements, speeches and media releases. This empirical research is guided by the following four subsidiary research questions drawn from the analytical framework set out in Table 1:

1. What are the socio-economic and political factors that led to the establishment of an intermediary? (Origins)
2. How does the intermediary go about determining priorities and marshaling resources to address them? (Regional Planning)
3. How has the intermediary established a formal role in relation to the state? (Relationships to the state)
4. How has the intermediary built and strengthened institutions at a regional scale? (Building relationships with non-state actors)

The outcome of this empirical research will be a better understanding of the multiple factors that underpin the growing importance of partnerships in territorial development, and of how governments are reorganising public administration arrangements to implement ideas put forward by the NR.

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