

Integrated rural development in the project state. The implementation of a New Public Management steering philosophy in The Netherlands

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This paper treats the Dutch investment budget for rural areas as a form of new public management. We describe the philosophy behind the new act - steering on goals, accounting on results. We pay special attention to the evaluation practice of program funding and the problem of public accountability for program funding versus endogenous development. We reflect on the Dutch investment budget and New Public Management from three aspects of the project state. From there, we suggest ideas for improvement.

1. Introduction: the new act on rural development in the Netherlands

The governance of rural areas in the Netherlands has changed thoroughly by a new act on the Rural Investment Budget (ILG). The act on the Rural Investment Budget came into force January 1st, 2007. ILG replaces many national schemes and instruments. With the Rural Investment Budget the realization of rural development policy has become the responsibility of provincial councils. This enables them to play a greater role in the implementation of rural development policy, including for example the National Ecological Network. Roughly EUR 3.2 billion in government funding has been earmarked for this purpose over the 2007 - 2013 period.

The Dutch government speeded the introduction of ILG so it could start simultaneously with the new European Regulation on rural development – and would cover the same seven-year period 2007-2013.

The reason for change was increasing criticism on the current policy. Content of the criticism was: too much policy plans and too little performance, the national government is engaged too much with details, and no-one has an overview of the many budgets and programs involved in rural areas. Projects on reallocation of land for nature, agriculture and recreation sometimes take 15-20 years. After such a period the original goals sometimes no longer apply and the results, when finally achieved are no longer wished for.

Issues such as urbanization, environmental quality, the decreasing importance of agriculture, the increasing demand for recreational possibilities and the difficult realization of the National Ecological Network, increased the necessity for an effective method for the different governments to carry out their policies. Against this background a new steering method has been developed for the several forms of policies for rural areas: the Investment budget for rural areas.

In this paper we discuss the Dutch investment budget for rural areas as a form of New Public Management (NPM). We describe the philosophy behind the new act- steering on goals, accounting on results and reflect on this from the perspective of several major developments in today's society. First the absence of "all embracing stories" as described by Lyotard. Second the change-over from substance to procedure- focused thinking. We also look at NPM as a way to deal with uncertainty in the context of the rise of the network society as described by Castells, as a way to deal with uncertainty. From there, we suggest ideas for improvement.

ILG – how is it set-up?

Before ILG the national government was responsible for the implementation of rural policies, but now the provinces have taken the overall steering function. All provinces set out multi year programs for their region, in cooperation with the local partners. Crucial in ILG is the focus on performance, and the

attempt to realize performance by giving the provinces room for maneuver while at the same time defining sharp end goals and performance indicators. In practice this means that the national government agrees on fixed performance targets and budgets with the individual provinces. Formally the agreed budgets are based on the quality of the provincial Multi Year Programs. The programs run for a seven year period. Budgets are secured for a period of seven years - whereas in the past leftover budgets were nullified at the end of every year. This means that the provinces are held accountable after 7 years. Provinces report about their program in several ways and moments. The Government and provinces discuss progress each year based on a report containing performance targets and the funds that are spent. Also is discussed whether external events give rise to a need for adjustments. After 3,5 year, there will be the Mid-term review in which also is discussed whether changes to the management agreement are necessary. In 2014 there will be the final report: provinces will have to show the promised results and account for the funding that is spent.

When it comes to accounting, the national government and provinces agreed on performance targets, of which examples are shown in table 1. These examples illustrate the wide differences between the chosen performance targets, and also the difficulty of defining them. In some cases it was simply concluded that it was impossible to find a good indicator. Acres of land acquisition for nature is relatively easy, but when it comes to socio economic targets there is a variety of projects that can lead to good results, but cannot be defined.

Table 1: Examples of objectives and performance targets ILG

General policy objective (EU term: outcome)	Operational objective (EU term: result)	Performance target provinces (EU term: output)
Nature		
Biodiversity	Creation National Ecological Network	Acres land acquired Acres land developed Acres land maintained Number of bottlenecks Main Ecological Network solved
	Protection of species	Implementation of plans to protect species
Socio economic vitality		
A vital rural area where people like to work and live	Improve social and cultural infrastructure	-
	Improve broad economic basis	-
	Improve citizen participation	-

The question is what happens after seven years when the money is spent, but the targets are not met.

2. ILG in practice: problems and dilemma's

The new act is both respected and criticized. The national government is appreciated for their willingness to let go, and delegate responsibility to the regional level. Criticasters think the new act is an easy way out for problems the national government never succeeded to solve.. They raise the question whether we deal with real subsidiarity or only the pretence of it.

Dilemma's.

What are the dilemma's concerning the new ILG steering philosophy that the national en provincial government have to deal with? How does the steering philosophy influence the relations between the different (management) levels in rural areas?

The new steering philosophy means that the national government steers on broad lines and withdraws when it comes to realization (more steering, less rowing). This means that the national government needs to trust the provinces when it comes to realization.

This brings several dilemmas for the national government:

- steering from a distance while being responsible for spending half a billion euros in a sensible manner
- multiyear agreements versus the wish to influence when things do not work out

- steering on goals versus accounting on results.

The provinces also face dilemma's. They want to play the directors role, as we can conclude from the report "the province as public developer". At the same time the directors role implies that they will be held accountable for development in the rural area. The regional government has to decide whether to start up ambitious program or avoid risks and think about feasibility

The provinces question the way they will be held accountable after seven years, when the provinces have to report their results to the national government. Legal advisers in the provinces have been looking at the seven-year-agreements extensively. The difficulty for the provinces is that they depend on many partners such as water boards, municipalities and nature organizations. The provinces need to find a way to make clear and accountable arrangements with local stakeholders, while giving room to the stakeholders' initiatives and own priorities. Will the provinces only finance projects under certain conditions (like the EU)- or will the provinces be co-responsible when problems in realization turn up.

Further on in the paper (in paragraph 3) we will describe how the provinces deal with the dilemma's that follow from the accountability issue and the evaluation system.

When analyzing the programs that the provinces are implementing within ILG, several observations can be made:

- Provinces tend to focus on procedure, on the way ILG works
- There is a lot of attention for sectoral goals in all programs
- only half of the provinces include goals for regions (area-based)
- quite a few provinces include strict regulation on project funding, such as: projects need to be ready for realization, all funding needs to be formally granted

These observations indicate that under ILG the provinces do not take a directors role in the sense of focusing on ambitious integral rural development based on substantial visions and plans. Provinces tend to take the safe route. They focus on traditional sectoral plans. Further, they try to minimize risks by tightly controlling procedures for project funding.

During the implementation of ILG in the province of Flevoland an interesting effect occurs. The national government has challenged the provinces to write a proposition. Funding from the national government would be based on the biddings and the question whether provinces succeeded to make the regional partners to cooperate and grant money for the period of seven years – politically highly unusual. Flevoland organised a comprehensive process to improve negotiations and eventually succeeded to set goals with all partners and present an ambitious program. However funding was already distributed through standard distribution codes and the quality of programming by provinces didn't make a difference.

3. ILG as example of an arrangement in the project state

As stated above, the implementation of ILG raises several problems and dilemma's. These problems are partly of a 'technical' nature: new rules and procedures have to be written, published, tested, etc. For another part problems arise because all parties have to adapt to their new roles. And of course there is the usual opposition against change, which occurs in any organisation.

In this paragraph we look beyond this 'usual' resistance and discuss ILG as specimen of general developments in the so called project state (Marsden, 2007). In this arising project state we distinguish three layers: functional, institutional, cultural. In the functional layer we see ILG as an example of the concept of New Public Management in the public sector. In the institutional layer we describe ILG as an attempt to create certainty against the uncertain background of the network society. In the cultural layer we characterize the ILG as an example of the change from a substantial to a procedural rationality and a disbelieve in the great narratives.

Layers in the project state	Manifestations of the project state
Functional	Managerial acting according to the principles of New Public Management
Institutional	New rules for the roles of and the interplay between the central and regional governments
Cultural	Procedural rationality

Functional layer: New Public Management

ILG is not an exclusively dutch phenomenon. It fits in an international trend in the public and non-profit sector, which is called New Public Management. New Public Management is an approach of the public sector, inspired by management techniques in the profit-sector. It is characterised by redefining public issues as management issues, a strong belief in measurable goal indicators and competition within the public sector based on contracts. Contracts between government levels of government and private actors play an important role. In New Public Management setting policy goals and defining indicators are the main task of the public sector, implementation is carried out by semi public organisations or even private organisations.

Padt (2007) describes New Public Management as a compilation of several constrating schools of thought: public-choice, human relations, rational public management, organic public management. The driving forces behind the introduction of ILG were of course not these academic schools, but the result of a 'great coalition' in several parallel debates. We distinguish the following debates:

- The debate on the long duration of rural reconstruction projects under the Dutch Land Act (de Landinrichtingswet) as a result of legal procedures, contradictionary interersts, high level of groundprices. The duration of a such a project under Dutch law was up to twenty years. Never the less rural actors were obliged to use this law because nearly all the funds of the central government were spend under this law.
- The debate on participation of local parties in public procedures and the lack of attention for grassroots initiatives.
- The debate on the roles of the central government and the regional governments (provinces). Provinces were searching for new tasks and even a new role in the Dutch public organisation, A new arrangement for rural reconstruction came up as a great possibility to realise this.
- The debate on the volume of public services. The central government was searching for possibilities to reduce their tasks and to create more efficiency in public services. The improvement of planning and control systems became dominant in this.
- The debate on the role of government in general. This concerns the shift from the government as the leading party in public projects, to the government as participant in multi-actor common processes, also called the shift from *government to governance*.

In these debates the principles of New Public Management, formed a basis upon which a coalition of interests and discourses is based. Interests of local groups, provinces, central government joined in ILG. Further the more leftwing discourse on governance joined the more right wing discourse on administrative efficiency. It is not a coïncidence that these coalition of interests and discourses came up in a time that Dutch goverment consisted of the social democrats and the conservatives (the so called purple coalition).

When we focus further on the role that evaluation plays in New Public Management, we find four observation described by Van der Meer (2007). Three of these four observations seem to apply on the implementation of ILG.

Performance indicators influence direct actual behavior. We see with the implementation of ILG the conflict between "focus on areas" and "accounting on results." Provinces will have to show their results to the national government on sectoral performance indicators. With the implementation of ILG in several provinces you can see the balance tip to making sure to get these results. In stead of making plans for regions with partners several provinces concentrate on making a system of subsidies in which in a rather late stadium becomes clear whether you can count on money or not. We see in the several provinces the sectoral professionals are made responsible for the results. The regional managers only have coordinating responsibility.

Evaluation leads to unintended or perverse effects: the performance indicator is only a derivative of the goals. With the implementation of ILG there has been a serious effort to make simple performance indicators. Alas it turns out that simple performance indicators, don't make good evaluators.

Defensive reactions by evaluating units in the sense of denying the validity of outcomes or seeking excuses beyond control. Defensive reactions are certainly taking place. Provinces sometimes tend to report less detailed than the national government would like to see, referring to the steering philosophy- steering on main objectives.

An overload of data in the communication between "principal" and "agent". This has been successfully prevented so far, but there is a lot of debate at the national level whether there's enough information available to inform the ministers and parliament.

Institutional layer: new roles for governmental actors

Since Castells in 1996 published his work on the network society many have used his terminology. A central issue in the work of Castells is the idea that society organises itself more and more in the form of networks. Networks are temporary social relationships aimed at a certain goal. They replace permanent hierarchical relationships, which became and will become less effective under the influence of processes as globalisation, computerization, informalisation, etc. Networks will eliminate slowly former, more rigid forms of organisation, as well in the private as the public sector. Also in rural development processes in the Netherlands networks emerge and become more and more important. On a local and regional scale there are many examples of temporary organisations in which civilians, municipalities and consultants work together.

An often described example is the Regional Dialogue Noord-Limburg (Mansfeld e.a. 2003). In the Venlo region in the southern part of the Netherlands next to the border of Germany there are many space claims and there is much pressure on the quality of life. New solutions for spatial, economic and environmental problems and new approaches in the process between private and public actors were necessary. Several layers of government, entrepreneurs of the agro-food cluster, educational and research organisations and NGO's worked together in a Community of Practice and developed a new guiding principle for regional development. An other example is the *Lunters Landfonds* (lit.). In this example a group of civilians and farmers worked out an new approach of nature conservation in their own environment in which public organisations did not participate and public money is not necessary.

Institutionally seen, the ILG sets new rules for the roles of actors. The role of the central government is to provide of funds and generate general objectives. The role of the regional government is to direct local development projects. It will be interesting to follow if this new 'casting' will function against the background of the network society. It is an open ended question if ILG will facilitate the variety in emerging arrangements in the Dutch institutional landscape.

Cultural layer: shift from substance to procedure

The capability to work on comprehensive and unifying concepts is not very good developed in the project state. National plans function as general frameworks, more aimed at giving room to developments than at sharp choices. This combines with a way of thinking and speaking (discourse) with a procedural character.

We recognize this in Dutch national planning. It is not too exaggerated to speak of a fear of intervention on a national level. ILG fits in this culture. ILG is not a means to realise a great perspective on rural development. It is more a procedure than a plan or programme.

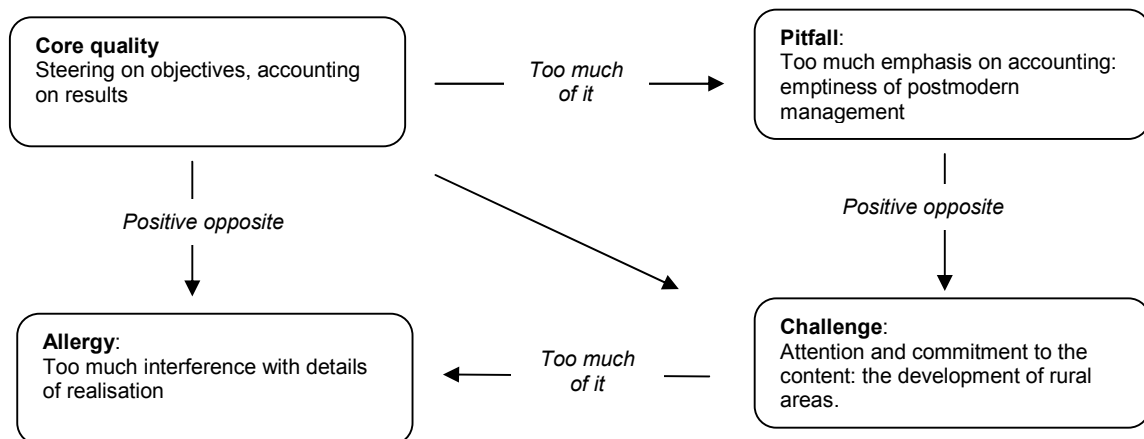
Also the predecessors of ILG were laws with a procedural character, but they were far more embedded in a culture with substantial goals as - at that time - improving agricultural conditions and realizing nature conservation areas.

Not only in rural development but also in other public sectors in the Netherlands this procedural type of discourse is dominant. In Dutch press this is one time called *the emptiness of postmodern policy* (Breedveld, 2002).

4. Challenge for ILG and ideas for improvement

In the former we have characterised ILG as a manifestation of the project state and analyzed it – shortly - in three layers: functional, institutional and cultural. In this paragraph we give some thoughts on further development of the ILG.

The challenge voor ILG, as shown in figure 1, is maintaining the original ambitions: development of quality in rural areas, based on attention for problems and solutions in stead of roles and procedures.



This refers to the idea, described by Termeer (2006), that in deadlocks a breakthrough can be reached by concentrating on the non-stagnant aspect of the process. If a proces is blocked because of roles and procedure she recommends to focus on substance and vice versa. This is exactly what ILG needs. ILG has to develop further from procedure to an environment in which parties have room to experiment and interact around substantial improvement fitting in the ultimate goal of the ILG: rural quality.

We distinguish three actions to achieve this: the use of inspiring examples (at the start of a project), the exchange of ideas and experiences (during a project) and the turn from accounting to learning (at the end of a project). Alle three will contribute to informal institutionalisation, which is in general the way to deal with the rigidity of formal institutions.

Good examples

It is important to cherish examples of succesfull projects. They need to be described extensively and published in easy accessible articles, books and brochures. Many succesfull projects were the product of copying. Projectmanagers are always inspired by good expamples.

Exchange of experiences

The exchange of experiences can be realized in temporary Communities of Practice in which public services, non governmental organisations, companies try to increase their common competence. It is important that they do not last longer than necessary and are organised around substantial problems or challenges.

Knowledge agenda

This three points are also important for a knowledge agenda. A knowledge agenda for for the ILG consists of three points:

1. Learning histories, evaluations and comparative studies.
2. Participatory support of Communities of Practice.
3. Further developement of methods of endogeneous, exogeneous en hybrid evaluation by participatory research.

From accounting to learning

ILG suggests that in case of not complying the contracts, the central government will impose penalties or sanctions and then the provinces will perform better. But disappointing prestatation can be the result of a broad range of causes. In many cases these are not only the responsibility of provinces but of the central and the rgional government together. We agree with Weick who stresses the importance of evaluation as a sense making proces. New combinations of endogeneous and exogeneous ways of evaluation have to be explored more.

5. Conclusion

We described the new Dutch system of rural development planning as a manafestation of the project state. In the concept of the project state the aspects combine:

- the rise of new public management, with its emphasis on oncontract, planning and control,

- new roles for central and regional government,
- a shift to a procedural discourse.

We question ILG on three related points. First too much attention is drawn to procedure instead of content. The softer side of ILG and the idea of focus on areas “looses” in practice from the system of accounting. Provinces have to report on the level of sectoral objectives, and often adapted their organization and method of working on this. Second we think ILG works out more hierarchic then it appears to be. The room for the local level in practice is limited. Third the domination of the system of accounting on performance indicators. While ILG was meant to empower provinces in their role in area development, the first year show something different. The provinces seem to be safeguarding themselves, possibly in reaction to the emphasis on accounting and results. This could lead to the unwanted effect that after seven years shiny reports will show the right performance indicators – but with nature areas created not at the best spots but at the easiest ones.

To counter unwanted effects of the rigidity of ILG as institution, it is important to stimulate informal institutionalisation around ILG.

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