

Designing Institutional Assets for Local Development: in Search of Theoretical Guidance

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Key Message



„In the past, the interaction among scholars using different perspectives has tended to emphasize their seeming irreconcilability, as if Kuhn's "competing paradigms" provides the unique program for interaction among different approaches in the social sciences. In recent years, an alternative program has emerged, emphasizing the complementarities among different approaches. This new program acknowledges differences not as competing paradigms but as complementary approaches to complex phenomena.”



Time Horizon in Policy Analysis

Table 1
Approaches to Local Development According to Time Horizon

Time Horizon (in years)	Factors	Theories
10-100	TILT - Trust, Identity, Loyalty, Tradition,	institutional economics (including the analysis of the role of cognition as a constraint)
1-10	LOC - Leadership, Organizations, Cooperation	collective action problems; transaction costs theory
0-1	BIM - Budget, Investments, Management	agency theory

Cultural Barriers to Local Development



Table 2

Cultural Barriers to Local Development: When Certain TILTs Become Liability

Factor	Type of Pathologies
Trust	republic of cronies; nepotism, “amoral familism”
Identity	hostility to innovation
Loyalty	fear of criticism, lack of openness
Tradition	exclusive focus on the past, passive conservatism

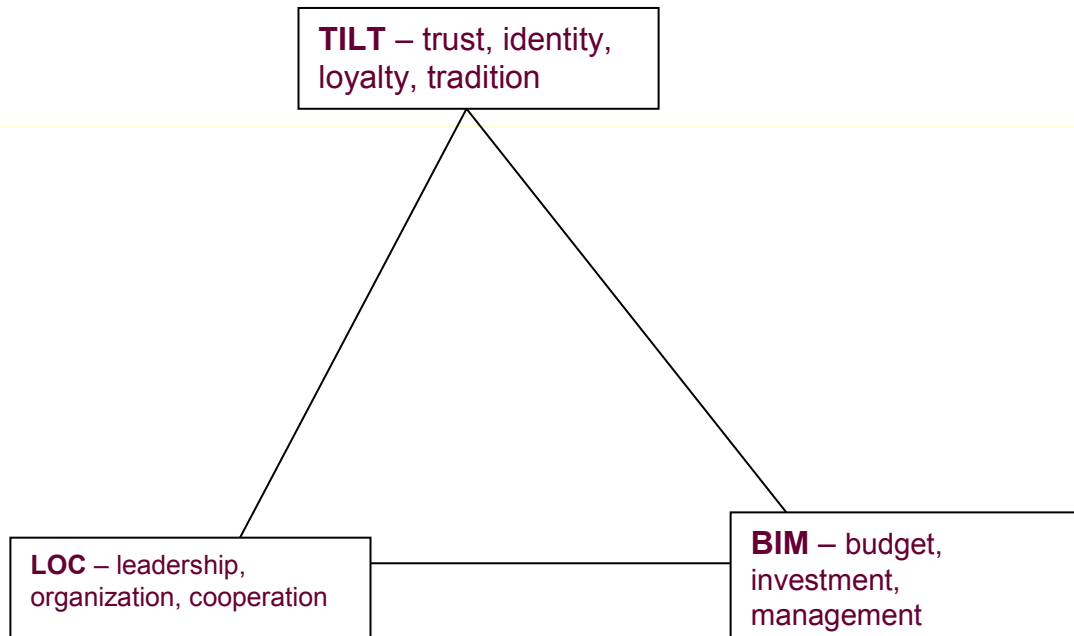
Types of efficiency in local government



Table 3
Types of efficiency in local government

	Static efficiency	Dynamic efficiency
Goals	short term optimization, (budget savings, time saving etc.)	long term development (development smoothing, choice broadening, protecting non-market values etc.)
Instruments	static technical analysis, markets	commitment, reputation
Constraints	existing financial and human resources, administrative procedures	institutional rules, informal cooperation patterns

Triangle of Local Institutions' Design



Examples of Local Public Goods (LPG)



Table 4

Examples of Local Public Goods (LPG)

TILT related LPG	LOC related LPG	BIM related LPG
Good social communication and open public information	Strong local political associations	Competent local administration
Cultural institutions (e.g. museum)	Strong local social organizations	Dense network of business support institutions
Educational institutions	Established local traditions of mutual help	Light administration with little red tape
Producers and products with high regional identification	Partnership culture and consensus orientation of local leaders	Spending transparency/ no corruption

Factors discouraging business activities



Table 5

Factors discouraging business activities in selected Polish localities

Item	Type of issue	Lodz	Ostroleka	Torun
Small local demand	No related to LPG	3.9	4.6	4.0
Red tape and adverse local administration	BIM LPG	3.1	2.9	3.4
Lack of clear vision of town's development	LOC LPG	2.7	3.9	2.8
Corruption and organized crime	BIM LPG	2.6	2.1	2.5
Low or inadequate skills of local labour force	BIM LPG	2.6	2.5	1.9

Notes: (a) **Możliwe problemy krótkookresowe, które z czasem zanikają.**
 (b) **Skutki długookresowe.**
 (c) **Wielka niepewność co do skutków.**

Conclusions



- The main challenge of local development institutions is how to create synergies among policies with differentiated time horizon and actions providing local public goods.
- Institutions that facilitates cooperation are the precondition for local development.
- Tradition and strong local identity might act as anchors indispensable for long term development.