



LOULÉ SOLUTION STORY: INTEGRATED IMPLEMENTATION AND INNOVATIVE FUNDING

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Subject	The story of how Loulé overcame the challenges of implementation related to Design Lab Loulé.
Network	Creative Spirits, Implementation Network
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Henrique Ralheta was born in 1970s Loulé, a small but characterful Portuguese town in the Algarve. After high school he moved to Lisbon for university where he studied Design at the Faculty of Architecture. Following this, he established a successful career as a designer, variously working as a creative director, a scenographer, a curator, and more besides in places such as London and Lisbon, far from his quaint hometown in the South of Portugal.

Henrique's story is a common one. Loulé once had a strong economic and commercial role in the Algarve region. It was in this old town where a large part of the region's commercial establishments were located and, consequently, many of the region's artisans as well. It was a dynamic and lively place with regional significance.

However, as time passed and consumption habits changed, the commercial dynamics of the historical centre were gradually lost, and with it the old trades and traditions support by a body of knowledge that had taken centuries to accumulate.

At the same time, the cycle of urban development led to a decrease in the population living in the historic centre. This brought about a series of problems (social, economic, and environmental). However, despite this, it also generated opportunities if only the right vision could be set in train.

More recently, with the introduction of European funds for urban regeneration, there has been an increase in the availability of resources able to bring new life to the area. Loulé wants to make the most of this situation by attracting more residents, stimulating more economic activities and events, and, at the same time, continuing to respect and valorise the area's identity, history, and culture.

This is the city's vision: to recover the past, to innovate, and to use this process to build a sustainable foundation for the



future. To help aid this process, the city joined Creative Spirits, an URBACT Implementation Network addressing the policy challenge of boosting entrepreneurship in the cultural and creative industries.

In early 2017 Henrique, now based in London, received a phone call from Carlos Pinto, another child of Loulé who had left the town to train for a career in design and architecture. Carlos was now working for the municipality as an adviser. Carlos invited him to return home to be interviewed for Director of a new initiative, the Loulé Design Lab. Henrique immediately accepted.



Loulé's Design Lab

The design lab is just one of a range of actions planned (and now implemented) by Loulé as part of the realisation of the town's vision. It is an incubation space for cultural and creative professionals that provides facilities for workshops, co-working, and exhibitions. It supports projects linked to artisanal production, thus increasing opportunities for local artisans, advancing the state of traditional crafts, and promoting artisanal production. Residents are supported as they develop and promote new creative products and experiences that target tourists, schools, or the general public. It also hosts workshops, discussions, and networking events. By 2019, just two years later, the Loulé Design Lab provides a beautiful home to 18 start-ups and initiatives in a thoughtfully restored 17th century convent, allowing them to receive mentorship, build synergies, and tap into new markets, in return for rent paid in time credits (a promise to spend time volunteering on community causes). The city hopes that in time this will germinate into a flourishing bottom-up network with a life of its own.

The implementation of this successful action didn't come about overnight. Obviously, there was far more work involved than Carlos calling Henrique. The idea of a design lab had been in development at the municipality for some time and a whole team of people (led by Marília Lúcio at Loulé's Economy, Trade, and Tourism Division) had to do the hard work of turning the vision into a reality. This process of implementation came with many challenges, one of these being the challenge of ensuring the implementation process adopts the integrated approach, another being the challenge of finding innovative ways to fund implementation. This is the story of how the team at Loulé solved these challenges.

But before we get to that, let's first look at why the integration is so important (funding innovation does not need explaining, money does not grow on trees). In short, it is because the problems of urban development are often, to borrow a term from systems thinking, 'messy'. That is, "problems which are unbounded in scope, time, and resources, and enjoy no clear agreement about what a solution would even look like, let alone how it could be achieved."¹

The traditional (non-integrated) approach is reductionist. It deals with complexity by dividing big problems into sub-problems. This process is repeated until the resulting sub-problems are simple enough to be understood. The problem with this approach is that often, essential features of the problem aren't found in its components; instead, they are found in their interconnectedness. Therefore, the act of simplifying by sub-division loses these interconnections and thus hinders attempts to fully address the problem, ultimately resulting in significant negative externalities.

The integrated approach, however, has a different strategy for dealing with complexity. Namely, it goes up a level of abstraction. This still simplifies the problem, making it manageable, but the interconnections between the components are largely maintained. This allows the problem to be addressed in a holistic fashion and results in a solution that creates fewer negative externalities.

What does this mean in practice? For URBACT, the integrated approach brings together social, economic, and environmental actions to promote genuine solutions to complex urban problems.

There are three main types of integration:

1. Horizontal, i.e. between policy areas, aiming for coordination between the different policy fields
2. Vertical, i.e. between different levels of government, aiming for multi-level governance
3. Territorial, i.e. between neighbouring municipalities, aiming for cooperation in functional urban areas

To make things concrete, here's a table comparing two types of CCI related urban developments.² The first column describes a development that has followed the integrated approach. The second column describes a development which has not.

¹ Chapman, J. (2004). *System failure: Why governments must learn to think differently*. Demos.

² Adapted from Iván Tosics' report on integrated implementation in the CCI sector, a report that was drafted to complement the masterclass he delivered as part of the Creative Spirits programme.

Creative and cultural quarter	Cultural industries park
Located in a neighbourhood undergoing revitalisation. Has grown organically	Located out of town. Or in relatively remote location
Has good public transport links, is accessible via walking and cycling, and includes a limited number of parking spaces.	Has weak public transport links, has poor accessibility for walkers and cyclists, and includes extensive car parking.
Centred round a former factory. Part of a wider mixed-use development with cafes, bars, restaurants, housing, etc.	New build property development, mostly commercial space, limited catering (chain restaurants), and no nearby housing.
Includes childcare centre.	No childcare available.
Funded with ERDF, ESF, and a wide range of national and local finance programmes. Parallel 'soft' investments, e.g. workforce development. SME support	Investment funding provided by ERDF and/or national funds and mostly 'hard', e.g. physical infrastructure.
Managed by a new 'triple-helix' agency, i.e. one made up of representatives from the municipality, the university, and the business community and the creative sector.	Managed by a property development company.
Examples include London's Shoreditch/Hoxton area [add examples from Creative spirits]	Examples include the workspace at the Olympic park in London

How does this relate to implementation? It does not matter how well integrated a strategy is, ultimately, integration is achieved through the delivery of projects on the ground. How can this be ensured? There are three key strategies. First, cities should make sure the implementation is balanced between environmental, social, and economic issues and make efforts to ameliorate negative externalities. Second, cities should mix up their tools. They should plan hard measures and soft measures, integrate co-financing, and involve the private sector. Third, cities should use efficient organisational structures. Municipalities need task or steering groups that can coordinate the integrated implementation of actions in both space and time and across different agencies and departments.

So what did Loulé do? There are two tales. The first involves collaboration with the private sector. Around four years ago, developers got in touch with the city to inform them they would like to develop a significant retail park, including an IKEA, just four kilometres from Loulé. As one might expect, this plan met with controversy.

Local retailers were worried a large out of town store would damage their business and residents were worried it would further exacerbate the centre's downward trend.

Fortunately, in the winter of 2016 Carlos (the same Carlos who called Henrique at the beginning of this story) had an idea. With the mayor's approval, he contacted the developers with a proposal. To help ease tensions, the developers could help the city realise its vision for the city centre. Loulé's strategy for the preparation of this proposal was to focus on know-how instead of money. This earned them a lot of credibility with the developers and so they agreed to work with the municipality to develop an agreement for partnership.

The result was a series of actions. Most significantly, IKEA would complement the municipality's 'hard' interventions in physical infrastructure with 'soft' interventions to build capacity amongst Loulé's creative businesses, e.g., providing consultancy services and workshops to help them improve their window displays. Additionally, IKEA would provide the design lab with €10,000 of in-store credit to buy furnishings and the municipality would be given temporary access to vacant retail units, thereby providing its creative entrepreneurs with a place to showcase their products.

In this way, the city found partial solutions to both challenges. They took the initiative and used IKEA's corporate social responsibility programme to help finance their investment in the design lab, thus finding an innovative way to finance their investment. Furthermore, they improved the integrated implementation of their strategy by using IKEA's expertise and resources to provide soft interventions that complimented their hard intervention, thus boosting the capacities of its creative community.

The second tale relates exclusively to the challenge of integrated implementation. At the beginning of the project there was no structure in the municipality that had the capacity and sectorial scope to ensure integrated implementation.

To address this deficit, the municipality decided to create a working group composed of five municipal officers with specialisations in different areas: architecture, environment, sociology, geography, and culture. In addition to possessing technical skills, these individuals are managers within the municipality. Together, this team has been closely supervising and monitoring the implementation of the various actions included in the action plan. They are also responsible for organising and energising the URBACT Local Group, thus ensuring triple or even quadruple helix involvement.¹

The working group regularly meets to evaluate the project's progress and to develop the various necessary outputs. Although it relies on a very informal structure to facilitate its work, this has not negatively impacted its performance because there is an excellent relationship between its various elements (perhaps an advantage of working in a relatively small organisation). The working group's relationship with the political structure of the municipality is conducted by the groups through reports for the Vice President and the Municipal Director.

¹ *The triple helix model of innovation refers to a set of interactions between academia, business, and government. As interaction between these types of organisations increase, each 'strand' evolves to adopt characteristics from the other strands. So, for example, a university, a business, and a municipality work together on a project. The university learns from the business and adapts, the business learns from the municipality and adapts, the municipality learns from the university and adapts, etc. Quadruple helix follows the same logic but incorporates civil society as a fourth strand.*

The use of such a group helps facilitate integrated implementation by providing an efficient organisational structure that can coordinate actions such as the Loulé Design Lab.

Today, just two years after Henrique was hired and returned to his hometown, Loulé Design Lab is a thriving institution with big ideas for the future. Undoubtedly, the solutions developed by Loulé in the process of its implementation made a significant contribution to this achievement; what is more, these solutions also have the potential to do the same for similar initiatives across Europe. At its core is a commitment to partnership working to achieve an integrated approach.