Multi-level Governance and Administrative Capacity in Europe's Regional Policy:

A Case Study on the LEADER Initiative in the *Mezzogiorno* Region of Puglia.

March 2012

Giulia Sergi

MSc International Business Studies

Copenhagen Business School

Counsellor:

Associate professor, PhD

Magali Gravier

Department of Business and Politics

Number of Pages: 73

Number of Characters: 25558
Abstract

Today’s European Union counts 27 Member States and presents high levels of infra-state and between-regions disparities. Already in 1988, reigning Commission’s President Jacques Delors proposed a new Reform of Regional Policy which had as its main objectives “economic and social cohesion” and the reduction of “disparities between the level of development of the various regions” (Article 158 of the EU Treaty).

Also, the Reform supported a series of innovations in the delegation of power between higher and lower level authorities, thus building a new system of governance.

This thesis encompasses the major changes in governance and administrative capacity introduced by the 1988 Reform. Also, it investigates these changes in a case study of a Southern Italian agency implementing the LEADER initiative. The LEADER initiative has a local rural character and represents only a small portion of the overall funds deployed for Regional Policy. Yet, it incorporates all the main features of the European policy’s innovations of the last 20 years.

However, it is hard to provide a long-term assessment of outcomes of Regional Policies and it is hard to define strict cause-effect relations between interventions and outputs. In the final part of this study, it will be shown that sub-level authorities have not yet adapted their administrative capacity in an effective way capable of generating sustainable economic development.
**Table of Contents**

List of Abbreviations.................................................................................................................................................................................2  
List of Tables.............................................................................................................................................................................................4  
List of Figures............................................................................................................................................................................................5  
Introduction..............................................................................................................................................................................................6  

**Part I: 1. The Regional Policy of the European Union**.................................................................................................................8  
1.1. The History of EU Regional Policy................................................................................................................................................8  
1.1.2. The current situation..............................................................................................................................................................15  
1.2. How can New Regional Policy be evaluated?.............................................................................................................................18  
1.2.1. The 1988 Reform and EVALSED..............................................................................................................................................18  
1.2.2. The Evaluation of Regional Policy by Scholars.......................................................................................................................21  
1.2.3. Macroeconomics Studies of Regional Policy and Relative Findings.......................................................................................23  
1.2.4. The Realist Approach.............................................................................................................................................................29  

**PART II: 2. Governance, Administrative Capacity and the LEADER Initiative**..................................................................................32  
2.1. Multi-level vs. State-centric governance........................................................................................................................................32  
2.2. The Concept of Administrative Capacity.......................................................................................................................................37  
2.2.1. The European Union’s Procedures for Capacity Building........................................................................................................42  
2.3. The European Agricultural Fund for Rural Development and the LEADER Axis............................................................................44  

**PART III: An Empirical Study on the LEADER Initiative in Southern Italy**....................................................................................50  
3.1. Il Mezzogiorno d’Italia...................................................................................................................................................................50  
3.2. The region of Puglia.......................................................................................................................................................................54  
3.2.1 The LAG “Terre del Primitivo” .................................................................................................................................................55  
3.3 The Empirical Study.........................................................................................................................................................................58  
3.3.1. An Introduction to the Empirics..............................................................................................................................................58  
3.3.2. The study.................................................................................................................................................................................59  
3.4. Results and Discussions.................................................................................................................................................................66  

Conclusions............................................................................................................................................................................................70
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAP</td>
<td>Common Agricultural Policy</td>
</tr>
<tr>
<td>CSF</td>
<td>Community Support Framework</td>
</tr>
<tr>
<td>DG</td>
<td>Directorate General</td>
</tr>
<tr>
<td>DG AGRI</td>
<td>Directorate General for Agriculture</td>
</tr>
<tr>
<td>DOCG</td>
<td>Denominazione di Origine Controllata e Garantita</td>
</tr>
<tr>
<td>EAFRD</td>
<td>European Agricultural Fund for Rural Development</td>
</tr>
<tr>
<td>EAGF</td>
<td>European Agricultural Guarantee Fund</td>
</tr>
<tr>
<td>EAGGF</td>
<td>European Agriculture Guidance and Guarantee Fund</td>
</tr>
<tr>
<td>EC</td>
<td>European Commission / European Community</td>
</tr>
<tr>
<td>ECC</td>
<td>European Economic Community</td>
</tr>
<tr>
<td>ECU</td>
<td>The European Currency Unit</td>
</tr>
<tr>
<td>EFF</td>
<td>The European Fisheries Fund</td>
</tr>
<tr>
<td>ERDF</td>
<td>European Regional Development Fund</td>
</tr>
<tr>
<td>ESF</td>
<td>European Stability Fund</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>EUSF</td>
<td>European Union Solidarity Fund</td>
</tr>
<tr>
<td>EVALSED</td>
<td>Evaluation of Socio-Economic Development</td>
</tr>
<tr>
<td>FAS</td>
<td>Fund for Under Developed Areas</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GNI</td>
<td>Gross National Income</td>
</tr>
<tr>
<td>GNP</td>
<td>Gross National Product</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>IPA</td>
<td>Instrument for Pre-Accession Assistance</td>
</tr>
<tr>
<td>JASPERS</td>
<td>Joint Assistance in Supporting Projects in European Regions</td>
</tr>
<tr>
<td>JEREMIE</td>
<td>Joint European Resources for Micro to Medium Enterprises</td>
</tr>
<tr>
<td>JESSICA</td>
<td>Joint European Support for Sustainable Investment in City Areas</td>
</tr>
<tr>
<td>JASMINE</td>
<td>Joint Action to Support Micro-finance Institutions in Europe</td>
</tr>
<tr>
<td>LAG</td>
<td>Local Action Group</td>
</tr>
<tr>
<td>LEADER</td>
<td>Liaison Entre Actions de Développement de l’Économie Rurale</td>
</tr>
<tr>
<td>LDP</td>
<td>Local Development Plan</td>
</tr>
<tr>
<td>MEANS</td>
<td>Methods for Evaluating Actions of a Structural Nature</td>
</tr>
<tr>
<td>NPM</td>
<td>New Public Management</td>
</tr>
<tr>
<td>NRG</td>
<td>New Regional Policies</td>
</tr>
<tr>
<td>NRP / NPR</td>
<td>New Regional Policy / Nuova Programmazione Regionale</td>
</tr>
<tr>
<td>NSP</td>
<td>National Strategic Plan</td>
</tr>
<tr>
<td>NUTS</td>
<td>nomenclature d’unités territoriales statistiques</td>
</tr>
<tr>
<td>PPP</td>
<td>Purchasing Power Parity</td>
</tr>
<tr>
<td>PPS</td>
<td>Purchasing Power Standard</td>
</tr>
<tr>
<td>R &amp; D</td>
<td>Research and Development</td>
</tr>
<tr>
<td>RDP</td>
<td>Regional Development Plan</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Definition</td>
</tr>
<tr>
<td>--------------</td>
<td>------------</td>
</tr>
<tr>
<td>SF</td>
<td>Structural Funds</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Mid-sized Enterprises</td>
</tr>
<tr>
<td>SWOT</td>
<td>Strengths, Weaknesses, Opportunities and Threats</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
</tr>
</tbody>
</table>
List of Tables

Table 1: The four key principals of regional policy.................................................................10
Table 2: The Principle of Subsidiary......................................................................................13
Table 3: Bureaucratic Performance......................................................................................40
Table 4: Community Priorities and Relative Guidelines.....................................................48
Table 5: The Cumulative Effect of Structural Funds on GDP (PPP), 2000-2009................53
Table 6: The relative values of the macro-sectors of Puglia in 2012....................................55
Table 7: Overview of the NSP and RDP Puglia....................................................................56
Table 8: 2007-2013 Measures of Intervention.....................................................................57
Table 9: Summary of quality governance features & aspects of administrative capacity....60
Table 10: The four key components of administrative capacity.........................................62
Table 11: Summary of Findings..........................................................................................66
List of Figures

Figure 1: Map of the disadvantaged regions of the EEC, 1964..........................................................8
Figure 2: Map of EU-25..................................................................................................................14
Figure 3: Convergence Objective Breakdown.................................................................................17
Figure 5: The administrative Capacity Loop..................................................................................22
Figure 6: The "New" Growth Theories............................................................................................26
Figure 7: Employment rates for both the EU15 and Objective I regions.........................................29
Figure 8: The Realist evaluation scheme.........................................................................................32
Figure 9: The two distinct types of multi-level governance...............................................................35
Figure 10: A stepwise approach to capacity building.....................................................................43
Figure 11: The structure of LEADER+ 2000-2006.......................................................................46
Figure 12: The Importance and Composition given to LEADER+ 2007-2013.............................49
Figure 13: Map of Italy with all the Regions.................................................................................50
Figure 14: The administrative capacity loop..................................................................................62
Figure 15: Percentage of SFs expenditure- Italian Objective I regions.........................................69
Introduction

“Europe sees its future as striking a balance between competition and cooperation, collectively trying to steer the destiny of the men and women who live in it. Is this easily done? No. Market forces are powerful. If we left things to their own devices, industry would be concentrated in the north and leisure pursuits in the south. But these market forces, powerful though they may seem, do not always pull in the same direction. Man’s endeavor and political aspiration is to try to develop a balanced territory.”

In 1988, Jacques Delors, at that time President of the European Commission, presented the Council a reform of the Community’s financial system. In these sentences he summarized the importance of having a coherent and sound Regional Policy in Europe, capable to create and sustain the common market.

In broader terms, his reform was translated into a reform which aimed at achieving “economic and social cohesion” and at reducing “disparities between the level of development of the various regions” (Article 158 of the EU Treaty). More specifically, the Reform drastically increased the budget for Structural Policy and introduced a series of regulations completely changing the administrative procedure for policy implementation.

With the latest enlargement, the European Union counts 27 Member States and the need for cohesion and development has become more evident. The new Eastern Member States present levels of relative GDP lower than the 50% of the EU average, although the catching-up effect is still associated with above-average levels of growth. On the other hand, among the EU-15, the Mezzogiorno of Italy is showing the lowest levels of per capita GDP growth in Purchasing Power Parity (PPP) (Eurostat, 2011; see Appendix 1).

Italy, after more than 40 years of Regional Policy by the EU still presents high level of infra-state inequalities. In 2007, the unemployment rate in the regions of the Mezzogiorno was, and still is, three times higher than that of its northern counterparts.

The national governments have attempted to reduce the North-South gap through a series of interventions already in the 1950s, but these have drastically diminished after the end of the 1st Republic in 1992. Scholars have tried to attribute the causes of the persistent lagging of the Mezzogiorno to different factors

---

1 The common market was completed in 1992 with the signing of the Treaty of Maastricht.

2 The so called “Delors I Package”.

3 The Mezzogiorno of Italy is Southern Italy here comprising the regions of Apulia (Puglia), Campania, Sicily, Calabria. Geographically it includes also Sardinia, Molise and Abruzzo.
like red tape and corruption (Felice, 2007), political patronage and inadequacy of the interventions (Viesti, 2010).

The belief that the European integration tends to concentrate wealth in core regions to the detriment of the periphery is the rationale driving Regional Policy at both European and Italian level. This growing concern and consequent budgetary effort increased also the importance attributed by Member States to accountability. The Reform, and subsequent regulations, promoted the empowerment of sub-level authorities for the administration of Regional funds. Also, the introduction of capacity building mechanisms and compulsory monitoring reports followed.

This new trend in the conduction of Regional Policy has created major challenges for the Member States and the regions which are now seen directly involved in their own development plans.

This study investigates the extent to which the new administrative and governance features introduced in the 1988 Reform have had an influence on the performance of the development agencies. In particular, it focuses on a case study of a specific agency in the Southern Italian region of Puglia.

The administration of the funds carried out by this agency is now subjected to the European Fund for Rural Development, thus the area examined is a rural area within the region comprising about 100,000 residents.

The study is therefore divided in three parts encompassing different aspects framing the empirical section.

Firstly, a general overview of Regional Policy is provided to the reader. A second section focuses on the importance of evaluation of Regional Policy and relative scholars’ studies and findings.

Another part is dedicated to the effects of the 1988 Reform: the multi-level governance mechanisms established and the greater emphasis on administrative capacity.

Finally, the focus of the study is narrowed down to the Mezzogiorno and the region of Puglia, listing all relevant aspects that contribute to a better understanding of the case study.

The rural initiative LEADER is an innovative, bottom-up policy intervention that has been so far neglected by the current literature. Indeed, according to the author, it represents a valuable instrument for better understanding the context and the circumstances under which Regional Policy can generate more effective results.

---

4 The ”new” Regional Policy as to emphasize the Regional Policy after the 1988 Reform by Jacques Delors.
1. The Regional Policy of the European Union.

1.1. The History of EU Regional Policy.

Figure 1: Map of the disadvantaged regions of the EEC, 1964.

In the Treaty of Rome of 1957, poor attention was given to regional policy while the main focus of the treaty was the establishment of the European Economic Community (EEC): the European Common Market, the Customs Union and the development of a common policy. In 1964, a need for correcting regional imbalances was already attested and in 1969, a following recommendation was issued.
Following the consensus given by the Assembly\textsuperscript{5} to the report on regional policy of 1965 and after the first enlargement consisting of Ireland, Denmark and UK (United Kingdom)\textsuperscript{6}, the Council agreed on the creation of a European Regional Development Fund (ERDF) in 1972. For the period between 1975 and 1977, it accounted for about 4\% of total nine states budget and was mainly focused on the following actions:

1) Investments in small enterprises creating at least 10 new jobs; 2) Investments in infrastructure related to point 1, and 3) Infrastructure investments in mountainous areas, which had to be eligible to the agriculture guidance fund too. Member States had to apply for ERDF support at project level. Decisions were then taken by a committee of Member States based on Commission proposals\textsuperscript{7}.

The underlying aim of this first three year test period was to correct regional imbalances due to structural unemployment, industrial change and predominance of agricultural structures.

The year of 1986 was a cornerstone of European history: the issuance of the Single European Act committing Member States \textit{de facto} to the creation of the single market, a process that was finally completed in 1992 with the Maastricht Treaty. Along with the Single European Act, the 1980s saw the accession of Greece, Spain and Portugal in the EEC. The act was the major revision to the Treaty of Rome and codified European Political Cooperation\textsuperscript{8}. The Single European Act finally proved to be the most successful in terms of its application and common consensus among member states\textsuperscript{9}. Moravicsik (1991:21) gives a thorough explanation of the reasons for this success that was attributable to two stylized facts: one stressing the activism of international and transnational actors and the second emphasizing a collective bargain among European states’ leaders. With regards to the political implications concerning regional policy, the new enlargement and the commitment for a single market had to be counterbalanced by the European Agriculture Guidance and Guarantee Fund (EAGGF) and the European Regional Development Fund (ERDF).

\textsuperscript{5} Today’s European Parliament.
\textsuperscript{6} The accession of the UK in the European Economic Community led to intense debates. While the UKs’ willingness aimed at being a signatory state of the Treaty of Rome, French president Charles De Gaulle vetoed British accession throughout its mandate. Reasons lied in De Gaulle’s fear of having French influence diluted within the EEC affairs and possible hindering Franco-German relations. The UK finally entered the EEC only when Georges Pompidou became president of France. UK’s entry in the EEC was also very influential in the creation of ERDF. The UK was, in fact, a big contributor to the Common Agricultural Policy and pushed for the creation of the ERDF in order to counterbalance its contribution to the CAP.
\textsuperscript{7} For the history of Regional Policy, please refer to the Info Regio section on www.ec.europa.eu.
\textsuperscript{8} The forerunner of the Common Foreign and Security Policy.
\textsuperscript{9} There are four stages that led to the signature of the Single European Act. One is the Stuttgart declaration of 1983, then the draft Treaty establishing the European Union, the Fontainebleau European Council and the White Paper on the Internal Market of 1985 that identified the 279 legislative measures needed -according to the President of the Commission, Jacques Delors.
In 1987, the interest in reducing regional discrepancies led to the submission by the Commission’s President Jacques Delors, of a proposal for reforming the Community’s financial system. This proposal was afterwards referred to as “Delors I Package”\(^\text{10}\) and proposed the Parliament, the Council and the Commission, to agree on a multiannual financial perspective and budgetary priorities.

After the 1988 Brussels European Council, the institutions finally established the Delors’ proposal through the first five-year financial perspective: from 1988 to 1992. The overall budget allocation was 16% of total EEC budget and 64 billion units over these five years. The introduction of the four key principles of regional policy remained the policy’s mode d’emploi afterwards: concentration, partnership, programming and additionality.

\(\text{Table 1: The four key principal\text{s} of regional policy.}\)

<table>
<thead>
<tr>
<th>Concentration</th>
<th>on a limited number of objectives with the focus on the least developed regions.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additionality</td>
<td>ensuring that Member States do not substitute national with EU expenditure.</td>
</tr>
<tr>
<td>Partnership</td>
<td>in the design and implementation of programs involving national, sub-national and EU actors, including the social partners and non-government organizations, ensuring ownership and transparency of the interventions.</td>
</tr>
<tr>
<td>Programming</td>
<td>multi-annual, based on analysis, strategic planning and evaluation.</td>
</tr>
</tbody>
</table>

Source: personal elaboration from data

In 1993, the funds devoted to regional policy soared up to 20.5 billion units (ECU\(^\text{11}\)), a share of 31% of overall EU budget. At this point, a transformation in the management of these funds took place: the

\(^{10}\) The “Delors I Package” had several main objectives: 1) The introduction of additional resources into the financing of the common budget. 2) A considerable increase in expenditures devoted to structural operations and, on the other hand, the limitation of the increase in agricultural expenses. 3) A fairer burden-sharing of the member states in the financing of the common budget, corresponding to the relative economic development of the member states.

\(^{11}\) The European Currency Unit, acronym ECU, was introduced by the European Council in 1978 as the unit of account of the European Community. It was the first common-shared basket of currencies. In 1999, the ECU was replaced by the Euro at parity, i.e. $1€ = 1ECU$. 

10
European Social Fund\(^{12}\), the European Agricultural Guidance and Guarantee Fund and the most recent ERDF introduced a system of re-funding projects in accordance with an annual budget procedure and national quotas. Major beneficiaries of funds, in order of amount of fund allocation were: Spain, Italy, Portugal, Greece and Ireland. Smaller amounts were allocated to Eastern Germany (neue Bundesländer), France (Corsica) and Northern Ireland for the United Kingdom. Spain only received ECU 10.2 billion with 57% of its total population falling under Objective 1 regions. Italy received 8.5 billion ECU, a 36% of total Italian population in Objective I regions. Indeed, Greece, Portugal and Ireland at the time had their total population living under the 75% EEC average GDP (PPP) per capita, thus having the entire Country being eligible under Objective I.

There were five general objectives set in 1988 (as listed in Info Regio):

- Objective 1: promoting the development and structural adjustment of regions whose development is lagging behind\(^{13}\);
- Objective 2: converting regions seriously affected by industrial decline;
- Objective 3: combating long-term unemployment;
- Objective 4: facilitating the occupational integration of young people;
- Objective 5: speeding up the adjustment of agricultural structures and promoting the development of rural areas.

Of the total investment amount comprising Objective 1 and Objective 2 regions, 55% was spent on productive environment supporting small and medium-sized enterprises, 24% on physical regeneration and environment and 21% on human resources (see Appendix 2).

In addition to programs included in the Objective classification, there were a series of other Community initiatives amounting to ECU 5.3 billion that addressed specific problems of certain regions or areas. To mention some: the Interreg initiative supporting cross-border cooperation among neighboring regions; Euroform, Now and Horizon related to projects with a job-creation and vocational training objective; and the LEADER (Liaison Entre Actions de Développement de l’Économie Rurale) initiative (ECU 455 million) financing local and rural development projects.

\(^{12}\) In 1957, the ESF was created along with the EEC to improve job opportunities by promoting employment and increasing the geographical and occupational mobility of workers. During the 2007-2013 programming period, priority is given to increasing the adaptability of workers, enterprises and entrepreneurs by improving the anticipation and positive management of economic change (from: http://ec.europa.eu/esf/main.jsp?catId=35&langId=en).

\(^{13}\) Regions whose per capita income is 75% lower than the European average.
Between 1989 and 1993, regional policy was governed and administrated by five council regulations, they all came into effect on 1st of January 1989. A very important innovation following their adoption was set in the coordination regulation and obliged Member States to introduce “Operational Programs” and “Regional Development Plans” or “National Plans”. Subsequently the commission also adopted the CSFs, Community Support Frameworks.

The implementation regulation set the content of plans and CFSs along with the system for financial control and commitments and a set of stipulated rules for monitoring, assessment and reporting.

In addition, the remaining three implementing regulations gave guidance on the content of plans and programs, eligibility and technical assistance. The whole set of regulations was a major shift from previous procedures due to the multi-annual programming character of the new Reform. As a new form of partnership among Member States, the European Commission and the regions was created. At each level, new procedures for management, monitoring and control had to be installed for the first time. The 1988 Reform laid the groundwork for the emergence of multi-level governance. New actors and existing ones started learning and building knowledge for initiating regional and local development.

In the second programming period after the reforms, between 1994-1999, Jacques Delors proposed the “Delors II Package” which was signed only shortly after the signature of the Maastricht Treaty. The latter declared the creation of the European Union and an amended Treaty of the European Communities (TEC) also entered into force in 1993. The TEC established the creation of the Cohesion Fund within the context of Regional and Cohesion Policy. The “Delors II Package” introduced a series of novelties for the simplified implementation of the funds along with a doubling of the budget. Around 153 billion ECU were allocated to the Structural funds and about 15 billion to the Cohesion one.

In Objective I regions, 41% of the investments were spent for business support and almost 30% for infrastructure, another quarter of the funding was allocated to environment and human resources (see Appendix 2).

---

15 The Community Support Framework (CSF) stands for an integrated investment plan which involves Structural Funds, National Funds and private expenditure.
16 The 1988 reform will be mentioned with capital R for better addressing the reader.
The Cohesion fund was addressed at EU countries with GNP of less than 90% of the Community average. Beneficiary countries between 1994 and 1999 were Spain, Portugal, Greece and Ireland.

Among the Objectives of Regional Policy a sixth one was set:

- Objective 6: development and structural adjustment of regions with an extremely low population density (as of 1 January 1994).

This objective was particularly appropriate for two of the three new member states: Finland and Sweden, together benefitting from 0.4% of the total budget. The third Country admitted in the EU in 1995 was Austria.

Between 1994 and 1999, a series of seven Council regulations outlining the effectiveness and coordination, general provisions, and implementation of the four Structural Funds was finally agreed upon. Moreover, in 1997, the first report on Economic and Social Cohesion was presented showing the internal economic and social disparities of the EU. The Committee of the Regions was also created within the “Delors II Package”.

Another important novelty of this time which had to be adopted by all Member States involved in Regional Policy was the principle of subsidiarity.

Table 2: The Principle of Subsidiarity

<table>
<thead>
<tr>
<th>Subsidiarity</th>
<th>except in cases where the EU has exclusive competence, action at European level should not be taken unless it is more effective than action taken at national, regional or local level.</th>
</tr>
</thead>
</table>

17 According to the partnership principle, the European Commission negotiated the regulations on the Structural Funds together with comments by the European Parliament, associations representing regional interests and economic partners. The agreement by the Council arrived in July 1993.

18 The first inter-institutional agreement was concluded in 1988 for the application of the 1988-92 financial perspective (Delors I package), which was intended to provide the resources needed for the budgetary implementation of the Single European Act. Since then, the financial perspectives have been updated in 1992 for the period 1993-99 (Delors II package), in 1999 for the period 2000-06 (“Agenda 2000”) and in 2006 for the period 2007-2013.

19 "Subsidiarity is closely bound up with the principles of proportionality and necessity, meaning that any action by the Union should not go beyond what is necessary to achieve the objectives of the Treaty." From: http://ec.europa.eu/regional_policy/glossary/subsidiarity_en.htm
In May 1999, the European Spatial Development Prospective finally provided a policy framework for sector-oriented policies at the different levels: local, regional, national and European. But even more importantly, the Amsterdam Treaty with its principle of the European Employment Strategy gave another dimension to regional policy that brought a series of changes during the 2000-2006 period.

The 2000-2006 agenda was a move towards simplification. In July 1997, the so called, “Agenda 2000”, a document delineating future prospects of development and the horizontal priorities\textsuperscript{20} was presented. In March 1999, an agreement between the European Council and the Commission’s proposal was finally reached defining changes in Cohesion Policy, Common Agricultural Policy and pre-accession instruments.

Ten new Member States entered the EU in May 2004. The pre-accession instruments were set to prepare these countries for being suitable to receiving the Cohesion Funds.

\textit{Figure 2: Map of EU-25.}

\begin{center}
\includegraphics[width=\textwidth]{map2.png}
\end{center}

In this programming period, the Parliament was involved in the adoption of the ERDF and ESF regulations by a co-decision procedure\textsuperscript{21} with the Council for the first time.

\textsuperscript{20} Objective 3 is intended to provide “horizontal” assistance throughout the European Union, outside regions eligible under the new Objective 1. This includes promotion of local employment initiatives (including territorial pacts for employment), the social dimension and employment in the information society and equal opportunities for men and women (as part of the drive for mainstreaming equal opportunities policies).

\textsuperscript{21} As defined in Article 294 of the TEU, the co-decision procedure is the legislative process which is central to the Community’s decision-making system. It is based on the principle of parity and means that neither institution (European Parliament or Council) may adopt legislation without the other’s assent.
The 1999 Reform introduced a change in the Objectives and Initiatives. The Objectives became three while the Initiatives were reduced to four.

- Objective 1: “promoting the development and structural adjustment of regions whose development is lagging behind”;
- Objective 2: “supporting the economic and social conversion of areas facing structural difficulties”;
- Objective 3: “supporting the adaptation and modernization of policies and systems of education; training and employment”.

The four Community Initiatives concerned with budgetary execution that were still at stake where Interreg III, Urban II, Equal and Leader+

Financial control and discipline was strengthened following the introduction of the “n+2” rule whereby failure to provide proof of payment within two years resends the fund allocation to the EU central authorities and the fund is lost. Moreover, a system of ex-ante, mid-term and ex post evaluation was introduced to increase the involvement of regions and Member States in the effectiveness of funds.

1.1.2. The current situation.

In the current period of 2007-2013, major changes derive from the second big enlargement that has brought the EU to now comprising 27 Member States. In this new enlarged Europe, one over three citizens lives in the poorest regions.

The budget agreed upon for this period is of €347 billion. A shift in priorities that are now addressed to boost growth, employment and innovation and including all regions has been set, although beneficiaries of Cohesion and Structural Funds are given a share of 81.5% of this €347 billion.

The final amount of funding for this programming period has followed a long table of negotiations among the Council, the Parliament and the Commission. In 2004, the Commission proposed a package of reforms later agreed upon by the Council and Parliament in July 2006 with five regulations, one with general

---

24 The union reached its current size of 27 member countries with the accession of Romania and Bulgaria on the 1st of January in 2007.
provisions, three on the ERDF, ESF and Cohesion Fund and another on the “European Grouping on Territorial Cooperation”. All of them were complemented by another one on implementation in December 2006.

Objectives and Initiatives were also reformed in priority while still integrating some Initiatives (Infogio, 2008):

- **Convergence**: “aims at speeding up the convergence of the least-developed Member States and regions defined by GDP per capita of less than 75% of the EU average.”;

- **Regional Competitiveness and Employment**: “covers all other EU regions with the aim of strengthening regions’ competitiveness and attractiveness as well as employment.”;

- **European Territorial Cooperation**: “based on the Interreg initiative, support is available for cross-border, transnational and interregional cooperation as well as for networks”.

The financial instruments available are now only three: the ERDF, the ESF and the Cohesion Fund. The aid once falling under the EAGGF and FIFG are now subjected to the European Agricultural Fund for Rural Development (EAFRD) and the European Fisheries Fund (EFF)27.

A significant simplification has moved towards the diminishing of the three programming steps into two. Planning now takes place at national level through the National Strategic Reference Frameworks while implementation comes through regions with the Operational Programs. A certain proportion of investments must now cover the renewed Strategy for Growth, Employment and Innovation. In Convergence regions, the amount granted for these investments is 60% while in all others a 75% proportion must be reached. Eligibility rules are now decided at national level, with a higher focus on the proportionality principle. Capacity-building is recognized as being an important feature for achieving development and better use of funds. Three new policy instruments: Jessica, Jeremie and Jaspers are addressed at this issue28.

The Convergence Objective comprises all areas of EU lagging behind in terms of GDP (PPP). Mere Convergence regions (less than 75% of EU average) are classified under the NUTS 2 (Nomenclature d’

---

28 JASPERS stands for Joint Assistance in Supporting Projects in European Regions, JEREMIE for Joint European Resources for Micro to Medium Enterprises and JESSICA for Joint European Support for Sustainable Investment in City Areas. Apart from these, JASMINE (Joint Action to Support Micro-finance Institutions in Europe) is the last of the four new instruments that were adopted in the 2007 – 2013 period, specially tailored to strengthening the Urban Dimension.
Unités Territoriales Statistiques) statistical reference and are eligible for Structural Funds (ERDF). Also, member states whose GNI is 90% lower than Community average are to benefit under the Cohesion Fund (CF).

**Figure 3: Convergence Objective Breakdown (in billion €)**

Source: personal elaboration of data from Inferegio panorama, 2008.

The ERDF is the common fund for the three objectives while the ESF is not granted to areas belonging to the third objective.

The principles of the current programming period are drawn from the previous ones and can be summed up in five key principles: concentration, programming, additionality, partnership and subsidiarity. The concentration principle has been better exemplified in three aspects: concentration of resources, of effort and of spending. The main focus of the resources is always set on the poorest regions while the effort is being concentrated on knowledge economy. As previously mentioned, following the Lisbon agenda, more importance is being attributed to RTD, innovation, technology transfer, human resources development, business development and information and communication technologies. The concentration of spending refers instead to the n+2 rule.

The Directorate General (DG) for Regional Policy is the European Commission’s body dedicated to the administration and implementation of Regional Policy. It manages three major funds: 1) the ERDF; 2) the CF; 3) the instrument for Pre-Accession Assistance (IPA), helping candidate countries to develop transport networks and improve environmental infrastructure. Moreover, the DG is also responsible for the implementation of the European Union Solidarity Fund (EUSF), deployed for major disasters, and the co-
ordination group on ultra-peripheral regions, aiming at compensating disadvantages of the outermost regions.29

1.2. How can New Regional Policy be evaluated?

1.2.1. The 1988 Reform and EVALSED30.

The Reform of the Regional Policy of the late 1980s initiated a new call for accountability (Batterbury, 2006), the funds devolved became the second biggest financed measure of the EU budget. Domestic policy makers started to claim more and more proof of effectiveness of Regional Policy’s interventions. Moreover, after the Lisbon Agenda, a new emphasis has been put on human and social capital, technology and competitiveness and a new focus on evaluation has followed. According to Batchler and Miche (1995), a new paradigm in Regional Policy has been identified and its main features can be summarized as follows:

- “targets both equity and efficiency at the same time, shifting the policy focus from redistribution to competitiveness”;
- “favors supply-side instruments and bottom-up local economic development initiatives”;
- “embodies a stronger spatial but also thematic/sectoral targeting of resources, whilst at the same time, reducing the use of regional aid in eligible areas”;
- “is implemented and delivered by different actors and mechanisms, assigning a greater role to local public and private actors”;
- “evolves around a multi-annual strategic framework; and
- “pays increased attention to value for money, by making increased use of evaluation”.

The same scholars also provide the three main reasons underlying this new trend for evaluation: before 1988, community aid and regional development funds were mixed; there was a different, not well defined division of duties and control of power between administrative bodies. Consequently, poor community

---

29 The International Fund for Ireland and the PEACE program within the Structural Funds are also managed by the DG and aim at peace and reconciliation in Northern Ireland.
30 The Tavistock Guide providing guidance for monitoring and evaluation, by the European Commission.
guidelines were issued. Another important reason follows after the accession of new Member States in 2004 that have poor or little competence on evaluation methodologies and that are now faced with the management of new Structural and Cohesion funds.

There has been a shift of Regional policy from the classic redistributive finality\(^{31}\) to including concepts of “endogenous development”\(^{32}\) based on the local and regional character of growth such as social capital, networks of inter-company cooperation\(^{33}\) and innovation systems.

According to Diez (2002), new Regional Policies have peculiarities that differentiate them from previous regional policies and more generally from other public policy investments by the EU. She highlights six main peculiarities:

- NRP\(^{34}\) “centre around the creation of knowledge, learning and capacity building”. (Diez, 2002: 286);
- NRP aim at innovation and the latter is difficult to assess;
- There is a systemic nature in the actualization of NRP since they attempt to work simultaneously within clusters and/or regional systems;
- NRP are embedded in their regional or even local context, the interactions between regional, national and European authorities for their planning and management is the evidence;
- NRP are dynamic and flexible: they evolve over time and in response to strong interactions with the context;
- NRP imply the involvement of regional actors, therefore the devolution of old powers to new actors approaching new bottom-up mechanisms to planning.

In 1995, the European Commission adopted the MEANS (Methods for Evaluating Actions of a Structural Nature) framework for an evaluation of Regional Policy. In 2004, after the introduction of the mid-term evaluation, the MEANS was transformed into a website: EVALSED (Evaluation of Socio-Economic

\(^{31}\) The rationale behind Regional policy interventions up until its reform in 1988, was redistributive (Rumford, 2002). With the Reform, it has developed and transformed into cohesion which, from a sociological perspective, is a means for achieving competitiveness and growth.

\(^{32}\) Endogenous development is an emerging concept based on local peoples’ own criteria for change. They are connected within a constant and dynamic interface to external actors and the world around them.

\(^{33}\) This is what Michael Porter in his famous book “The Competitive Advantage of Nations” called cluster and comes after the concept of agglomeration economies by Marshall in 1890. There are different kinds of clusters, the most popular one emerging within the field of economic geography through Krugman (1991); a clear example is Silicon Valley and its innovation-driven cluster of technology companies.

\(^{34}\) From now onwards NRG: New Regional Policies, terminology embraced by the scholar (Diez, 2001, 2002).
EVALSED is composed of two parts: the GUIDE and three SOURCEBOOKS, the entire set published by the Tavistock Institute. As mentioned by the European Commission website, the GUIDE is designed primarily for decision-makers but can be taken into consideration also by program managers, civil servants and evaluators. It is not only confined to the evaluation of EU structural policy. It can be suitable for any local and regional policy evaluation as the economic development at local and regional levels is the priority of policy interventions, also for national and regional governments. It provides useful insights on the different approaches to evaluation, identifying key issues and latest trends in socio-economic evaluation. The SOURCEBOOK is very important for evaluators who want to acquire a deeper knowledge on evaluation methods and techniques. The reason why a new updated guide for evaluation has been commissioned and then adopted by the European Commission is the awareness of the emergence of new evaluation tools, approaches and techniques, stressing the role of theory-based evaluation, participatory evaluation and new qualitative approaches.

The GUIDE distinguishes between evaluations that serve a purpose and evaluations’ methodologies. Among the purposes of evaluation there is: planning/efficiency; accountability; implementation; knowledge production and institutional strengthening.

Methodologies have been historically underpinned by broad philosophical trends such as positivism, constructivism and realism. Positivism is mainly concerned with the measurement of outputs and outcomes given some inputs (Gore and Wells, 2009). The approach asserts that the observation of reality is the only way to attain objective knowledge. The theory developed in the 18th century after the French philosopher’s Auguste Comte and can be applicable to all sciences. Constructivism, on the other hand, was born after the rejection of Positivism’s main assumptions, postulating the possibility of an “objective knowledge”. The theory identifies the presence of “constructions” that observers may define without the necessarily measuring. According to this theory, stakeholders and evaluators are at the centre: evaluators have a picture of the reality as it is reported by different groups of stakeholders. Contrasting views carried out by the different stakeholders may be supported through externally generated information. Realism is a more modern view: it seeks to sort out the hidden intents of policies, to “uncover the mechanisms that account for change” (Tavistock Institute, 2003:20). Also, programs are embedded in “layers” of social and organizational processes. Case studies are mostly used in this kind of approach, also in a comparative

---

35 The French philosopher (1798-1857) formulated a form of empiricism, which he called Positivism or the Positive Philosophy. He played a key role in the development of the social sciences and coined the term “sociology”.

manner, highlighting how different contexts can generate different outcomes. In all approaches, the focus is on programs’ workings.

1.2.2. The Evaluation of Regional Policy by Scholars.

Already in the 1930s, researchers were interested in evaluating the impact of public expenditures via macroeconomic models (Tinbergen, 1939). In the past two decades, Regional Policy has been frequently evaluated and studied in several different ways, but economists have privileged mainly classic input-output top-down approaches whereas objective data has given ground to macroeconomic theories. Differences in unemployment levels, productivity, wage levels and other econometric models with numerical evidence.

Before the initiation of the new Cohesion Policy, the European Commission had published four Period Reports on regional disparities and the macro variable used to assess the overall entity of such disparities was GDP (in PPP) per capita. Also divergence/convergence studies during the 1970s had used per capita GDP as the main indicator. Afterwards, economic cohesion was expressed by real GDP per capita and PPS per capita, while social cohesion was investigated through unemployment levels.

Another approach that has been adopted by scholars is the so called micro or bottom-up approach. According to the this kind of approach, the size of the intervention, the local character, the main stakeholders and the involvement of different levels of authorities are all important features to consider when conducting an evaluation. In the case of local community initiatives, for instance, cost-benefit analysis can be carried out also either in a comparative fashion or on a case study basis. On the other hand, top-down approaches evolve around the entire size of the policy and assess if the overall priorities have been met. Common methodologies of the top-down approach are: input-output, macro-econometric, computable general equilibrium, dynamic growth models and I-O models. The intent behind these techniques is to try to catch the possible externalities and spillover effects that may arise (Bradley, 2006).

The main characteristics of both micro and macro approaches have been summarized by Bradley (2006) and are shown below:

---

36 This approach will be further stressed in the next section.
37 For a deeper inside in I-O models see Beutel (1993); macro-econometric models (Bourguignon et al.,1992) and for dynamic growth models see Gaspar and Pereira, 1991.
38 Bradley, J. (2005): Evaluating the Impact of European Union Cohesion Policy in Less-developed Countries and Regions; Regional Studies 40, p. 190; spillover effects are generally associated with externalities of economic activity affecting those not directly involved.
Figure 4: The Impact of EU Cohesion Policy in Less-developed Countries and Regions.

Impact of EU Cohesion Policy in Less-developed Countries and Regions

Table 1. Micro- versus macro-policy evaluation

<table>
<thead>
<tr>
<th>Level of disaggregation</th>
<th>Micro- (bottom-up)</th>
<th>Macroeconomic (top-down)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use of theory</td>
<td>Strong (aggregate, whole economy)</td>
<td>Strong (macro-economic)</td>
</tr>
<tr>
<td>Model calibration</td>
<td>Judgmental/informal</td>
<td>Scientific/econometrics</td>
</tr>
<tr>
<td>Policy impacts</td>
<td>Informal/implicit/ranking</td>
<td>Formal/explicit/quantified</td>
</tr>
<tr>
<td>Treatment of externalities</td>
<td>Limited or ignored</td>
<td>Included and explicitly modelled</td>
</tr>
</tbody>
</table>


Molle (2006) claims that the main priority of evaluation is to describe the effectiveness and the efficiency of a program. In the former case, the aim is to assess if a given policy has reached its objectives while efficiency is a concept related to the “efficient” use of funds, concretely, without a waste of money.

Keynesian models have historically focused on demand-side models for boosting public expenditures whilst the Reform of Regional Policy brought about a shift to supply-side mechanisms for enhancing competitiveness within the sectors and across the countries.

During the 1990s, higher attention on empirical growth models was put by analysts along with the issue of imperfect competition which was mainly facing the problem of geographical periphery of the main beneficiaries of funds, namely, Italy, Spain, Portugal and Greece.

However, after the 1988 Reform and between 2000 and 2003, a totally new cycle of evaluation was demanded by the EU to the lower level authorities involved, namely the national governments, the regions and local authorities. Requirements of ex ante, ex post and in itinere evaluation were imposed and are still being followed. The aim of the evaluation by the EU now is not to provide proof of effectiveness or efficiency but to “provide support for the background examination of the execution of the development programs” (Forman, 2001:211). Bradley (2006) differentiates between evaluation and monitoring stating that evaluation refers to macro while monitoring refers to micro level evaluation. Monitoring by the EU is a

---

39 For empirical growth studies see Barro and Sala-I-Martin; for the field of economic geography see Krugman, 1995; Fujita et al., 1999.
40 More than a third of the EU budget is devoted to Cohesion Policy with the objective to foster economic and social cohesion in the EU. For more details about the financial allocations, see Varga, I. (2009): A Model-based Analysis of the Impact of Cohesion Policy Expenditure 2000-2006.
41 Mid-term of it in itinere evaluation.
fundamental step for ex post, in itinere and ex-ante evaluations and also strictly related to the culture of the invested region/area, to the broader concept of the design of the decision-making process\textsuperscript{42} and finally to administrative capacity and capacity building.

\textit{Figure 5: The administrative Capacity Loop}

\begin{figure}[h]
\centering
\includegraphics[width=0.5\textwidth]{capacity_loop.png}
\caption{The administrative Capacity Loop}
\end{figure}

\textsuperscript{42} Multi-level governance (Hooghe, 1996; Jeffery, 1996) and intergovernmentalism (Moravcsik, 1996).
\textsuperscript{43} Article 158 of the EC Treaty, established by the Single European Act.
\textsuperscript{44} Market barriers created by the governmental intervention like tariffs and quotas on trade.
\textsuperscript{45} The neo-classical economic growth models derive from Robert Solow’s (1956) study on the steady-state growth in pro-capita wealth in the short run. The main factors determining steady-state growth are to be found in the fundamental nature of savings and population increases.
self-correcting movements in the economy acting on prices, wages, as well as capital and labor markets (Martin and Sunley, 1998). The opposing scenario depicts no necessary reason for regions to convergence over the long run. This model of divergence was first studied by Perroux (1950, 1955), Kaldor (1970, 1981) and Myrdal (1957) and claims that market forces tend to be spatially dis-equilibrating. Even interventions aiming at reducing this divergence like fiscal transfers, government aids, congestion diseconomies, “trickle-down”, are insufficient. Uneven regional development forces will cause the cumulative concentration of capital, labor and output in certain regions.

Marxists theories developed during the 1970s have observed that regional economic development is episodic. Periods of convergence occur in different historical times than periods of divergence and the same region can be marked by this decline or the rise of economic development in different time spans. Nevertheless, Marxists views were more concerned with “spatial restructuring” than long-term trajectories of growth. During the 1980s, Marxists approaches have been substituted by neo-Marshallian theories along with transaction costs economies. A new focus has been put on post-Fordists analysis of a confined region within the concepts of “flexible specialization” and “industrial districts.”

The latest trends in long-term regional equilibrium studies neglect the neoclassical view that some factors are considered as exogenous to contributing to regional convergence. Indeed, factors like technological change and human capital are considered endogenous and “endogenous growth theory” is the name attributed to such studies.

Another commonly adopted empirical method of the macro studies is the so called β-convergence among a group of economies, where β is a regression coefficient representing the speed of the economy to converge. A negative value of β indicates that there is a tendency for per capita income to equalize across this group of economies. A related concept is the σ-convergence which indicates the variance of the per capita income. Obviously, the presence of β-convergence indicates lower dispersion of per capita income.

---

46 Williamson (1965) conducted a study about the evolution of regional income in advanced economies whilst Borts and Stein (1964) observed the same phenomenon in the United States.

47 The concept of transaction costs is centered around the notion that there is an influence of both uncertainty and asset specificity on the cost incurred when making an economic exchange. For more, consult Ciborra (1983) and Williamson (1965).

48 Flexible Specialization refers to the shifting focus from economies of scale towards a higher emphasis on economies of scope in industrial production / manufacturing. Industrial Districts in turn relate to the clustering effect, in particular in industry-heavy urban areas, through which economic specialization arises.

49 Barro and Sala-i-Martin have introduced these concepts in a study in 1991. σ-convergence occurs when there is a reduction in the dispersion of per-capita incomes over time.
indicated by a declining $\sigma$. Evidence of various scholars\textsuperscript{51} has introduced the idea of “club convergence”: only countries with similar initial and structural characteristics will converge.

On the other hand, during the 1990s, scholars like Sala-i-Martin (1991) and Mankiw, Romer and Weil (1992)\textsuperscript{52} have claimed that since convergence is conditional on several factors like the rates of technology and population growth and government policies, different steady-states relative to per capita income will arise. The steady-state of the economy can therefore be constant while different and region-specific steady-states may derive.

Some studies on regional convergence conducted during the 1990s by Barro and Sala-i-Martin (1991, 1992a, 1992b, 1995) have demonstrated evidence of the long-term regional convergence of several regions in the world, including the NUTS1 regions in eight European countries (Germany, France, the United Kingdom, Italy, Denmark, Spain, the Netherlands and Belgium). The variance among these countries is declining and the speed of convergence calculated upon the national means is constant across countries.

Armstrong (1995) shows that the speed of convergence registers high variability over time. Moreover, for the NUTS regions, the rate of convergence moves along the economic cycles. Nevertheless, there is no evidence of “club convergence” although the geographical difference between northern and peripheral European regions is expected to benefit the former. Indeed, following this reasoning, there is evidence of geographic clustering\textsuperscript{53} in Europe and the United States. Regions with lower growth are in fact localized together while fast growing regions are also geographically grouped.

The method adopted by Armstrong, the “growth regression”, has been criticized by scholars (Barnard and Durlauf, 1995) for having related the region only to its own territory. The data of the regions studied is pooled and the regression procedure results in a convergence that is identical across space, while the rate of convergence may actually differ from region to region. Moreover, the approach does not take into consideration how the regions relate to one another. Thus, the dependence of each other’s growth trajectories is left out (Quah, 1993).

\textsuperscript{50} The presence of $\beta$-convergence is a necessary but not sufficient condition for $\sigma$-convergence (see for instance, Barro and Sala-i-Martin, 1996).

\textsuperscript{51} De Long, 1998; Baumol, 1986; Canova and Marcet, 1995 to list few.

\textsuperscript{52} Barro and Sala-i-Martin, 1992 also investigated the same issue in another paper.

\textsuperscript{53} As already mentioned in footnote, the concept of “clusters” was developed by Michael Porter and, due to its spread in popularity, entered common business language ever since.
The endogenous growth models\textsuperscript{54} began in the middle of the 1980s to contrast the classical view that per capita output growth shows a declining figure over the long run. Exogenous technological factors were then put into the model and, as a consequence, long-term growth also became exogenous. A human factor was added in response to the growing attention given to human capital, especially with respect to public policies. The results still showed conditional convergence, meaning that only if national differences in these augmented variables are controlled, then some kind of absolute convergence can be identified.

During the 1990s, endogenous growth models developed further, introducing two new types, both showing increasing returns\textsuperscript{55}: endogenous broad capital and endogenous innovation models (Crafts, 1996). The former relates externalities and spillover effects attributable to technological change or simply to capital investments. The latter is called Shumpeterian as it includes improvements in technology that are generated by producers. The table below recaps the “new” growth theories comprising the new endogenous factors.

\textit{Figure 6: The "New" Growth Theories}

<table>
<thead>
<tr>
<th>Type of Growth Theory</th>
<th>“Engine of Growth” Convergence?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Augmented neoclassical</td>
<td>Physical and human capital, exogenous technical progress universally available. Slow and conditional convergence within clubs of countries with similar socioeconomic structures.</td>
</tr>
<tr>
<td>Endogenous broad capital</td>
<td>Capital investment, constant returns through knowledge spillovers. Cumulative divergence, but shaped by government spending and taxation.</td>
</tr>
<tr>
<td>Intentional human capital</td>
<td>Spillovers from education and training investments by individual agents. Convergence dependent on returns to investment, public policy, and patterns of industrial and trade specialization.</td>
</tr>
<tr>
<td>Schumpeterian endogenous innovation</td>
<td>Technological innovation by oligopolistic producers, with technological diffusion, transfer, and imitation. Multiple steady states and persistent divergence likely. Possible club convergence and catch-up.</td>
</tr>
</tbody>
</table>


\textsuperscript{54} See also Aghion and Hawitt, 1998 or Pack, 1994 for a deep understanding of endogenous growth theory.

More generally, during the 1990s and after the introduction of the Reform, there have been several macro studies suggesting the failure or success of Regional Policy.

Among all, Rodriguez-Pose\textsuperscript{56} conducts a series of studies demonstrating the poor efficacy of Regional Policy to reduce disparities across regions. Moreover, it has been claimed that Regional Policy is in practice more an instrument of redistribution than of cohesion and long-term development (Rodriguez-Pose, 2000; Boldrin and Canova, 2001). He follows two general assumptions against the validity of regional development arising from data analysis. Firstly, 14 years after the introduction of the Reform, 43 out of 44 Objective I regions still remain eligible under the same group requirements\textsuperscript{57}. Secondly, after-war studies of convergence across European regions do not agree on convergence. There is growing evidence of the presence of convergence clubs, while others show even divergence in the last two decades of the twentieth century\textsuperscript{58}.

A study by Rodriguez-Pose and Fratesi in 2004 presents the evolution of the standard deviation of nationally weighted regional GDP measured in PPP in EU regions (with the exception of Germany) from 1988 to 1999. Subsequently, they plot the four countries with the largest number of Objective I regions, namely Greece, Spain, Italy and Portugal, against the EU 15. The results show that regional disparities have increased since the Reform, especially after the introduction of the Single Market in 1993. Between 1994 and 1999, the growth in the standard deviation is around 8%. Italy is the country with the highest standard deviation, even higher, on average, than the one of the EU 15. However, the country with the greatest growth in disparities during this period is Spain where the standard deviation grew by more than 15%. The same study demonstrates the inefficacy of regional policy with unconditional $\beta$-convergence analysis for Objective I and NUTS II regions and controlling for spatial autocorrelation (no national growth rates are included in the model). According to the results, there is no significant convergence across the EU. If instead only Objective I regions are taken into consideration and national growth rates are regressed in the model, there is a significant rate of 3%. These results are consistent with the Second Report on Economic and Social Cohesion (EC, 2001) and also with the presence of convergence clubs among Objective I regions (López-Baso et al., 1999).

\textsuperscript{56} Rodriguez-Pose belongs to a larger group of scholars who have questioned the actual effectiveness of Regional Policy after its 1988 Reform. To mention some: Martin, 1999; Hurst et al., 2000; Puga, 2002.

\textsuperscript{57} In 2004, also Basilicata lost eligibility under Objective I. At the end of 2006 Corsica, Lisbon and the Tagus Valley, Northern Ireland and other areas in Ireland lost their support under Objective I.

On the other hand, there are several studies attesting the validity of Regional Policy at macro level. Becker et al. (2010) present evidence of Objective I real GDP per capita growth of 1.6% during a programming period. Nevertheless, there are no significant employment effects during the same period, unless they allow for spillover effects from contingent regions. They assume that probably, the reason lies in the stimulus given to investments that do not necessarily generate job creation.

Mohl and Hagen (2010) describe the importance of regional spillovers on regional growth rates through spatial correlation. In particular, using a spatial panel approach, they find that regional spillovers do have an impact on regional growth rates, underlining the importance of interconnectivity across European regions. They focus their study also on how the magnitude of Regional Policy interventions’ effects is related to the respective group analyzed. In fact, they find that for Objective I regions, an increase in fund allocations by 1% generates a 0.05% increase in GDP (PPP). Indeed, when considering Objective II and III, no significant effect can be observed. Moreover, their results have shown that there is a time lag between the starting time of a programming period and its first effects on growth.

An interesting study tackling the effects of Regional Policy from a multi-faceted perspective has been presented by Cappelen et al. (2003). The study claims the end of convergence by EU countries in the 1980s although countries that have joined the EU in these years have benefitted by a catch-up effect, namely Spain and Portugal. Indeed, within countries, there has been a standstill. In particular, they claim that Regional funds have been more effective in more developed areas, thus creating a problem of receptiveness. In less developed regions, they run an empirical growth model which has highlighted the lack of R&D (Research and Development) capabilities and unfavorable industrial structure as the main causes hampering development.

Leonardi (2005) presents his findings in a book highlighting the validity of Regional Policy in the period between 1988 and 1999. Phenomena of both β and σ convergence have been attested in Objective I regions for this period. Despite this, he conducts convergence studies from different perspectives and fails to find equivalent trends when considering employment rates and participation in the work force.

---

59 This study follows a previous one of 1999 where they have demonstrated how regional convergence in EU has come to a halt in the 1980s.
60 Spain and Portugal joined the European Community in 1986.
The table below shows evidence of low employment rates (%) in both the EU 15 and Objective I regions (1988-2000).

*Figure 7: Employment rates for both the EU15 and Objective I regions.*

Objective II regions, on the other hand, show no convergence during this period. A high proportion of the increase of grants to Objective I regions can be attributed to the detriment of Objective II, although region-specific studies have demonstrated the contrary. It is important, therefore, to mention that regional factors are taken into consideration when sampling for convergence across the EU.

Summing up, there is no general agreement among scholars over the efficacy of Regional Policy in the short, medium and long run. Different macroeconomic approaches demonstrate different outcomes.

Consequently, as already mentioned in the previous section, the Reform of 1988 started the investigation of new approaches to evaluation.

1.2.4. The Realist Approach\(^{61}\).

Realist evaluation belongs to the theory-driven evaluation approach group. Along with program theory evaluation and theory-of-change evaluation, it opposes method-based evaluations such as econometric

\(^{61}\) The name Realist evaluation has been preferred by scholars instead of the original terminology adopted in 1997 by Pawson and Tiley: “Realistic evaluation”.
models and input-output top-down economic approaches. Pawson and Tiley developed this concept for the first time in 1997\textsuperscript{62}.

The approach seeks to validate the core theories underlying a given program and it answers the question about its applicability and soundness within its implementation. The final purpose is not to assess if a program is well working but to identify the circumstances, for whom and in what respect a given program brings about results. It is important to stress that the realist approach is not a research technique but a logic of inquiry.

The Realist approach tries to understand the change achieved by a program by probing its entire apparatus. According to the authors, a programs are “theories”, they are “embedded”, they are “active” and finally they are “open systems”.

Programs are theories: also, intervention theories are multiple, reflecting multiple decisions taken that in most cases seek synergies. Interventions are always the response of a social system and are designed for contextualizing and achieving a given theoretical objective.

Programs are embedded: programs are embedded in social systems. According to Realist theory, it is important to identify the various layers of society which make up a given context where the program applies. Elements of contingency, in fact, underpin the success or failure of a program and characterize its interventions.

Programs are active: they usually require the engagement of individuals. The stakeholders’ involvement is obviously inevitable and therefore also the interpretation given by program participants may trigger an evaluation.

Programs are open systems: it is really hard to isolate programs from the contexts they are embedded in. There are several externalities that may impact the delivery of a program but since a program brings about change, the same can also change the conditions under which it was made possible.

The context is a crucial issue in Realist evaluation. It is important to identify the right context where a given program is to be realized and mechanisms activated. According to realism, the context relates the “for whom” and “in what circumstance” issues. Context does not only mean locality. It includes more specific patterns like technology, economic conditions, social relationships, etc. On this regard, it is crucial that a good knowledge of the context serves as a better achievement of targeted programs.

\textsuperscript{62} For a guideline on potential pitfalls when conducting a realistic evaluation, read Gill, M. and Turbin, V. (1999).
The Realist approach can be used in several and different fields of research. It can deploy different research techniques and deal with both qualitative and quantitative data. As the theory suggests, the researcher, or evaluator, is allowed to take both the insider and external perspective. In the first case, the evaluator should see the stakeholders’ view as paramount and involve them in the process of understanding the program. In the external case, on the other hand, stakeholders are seen as sources of data and the assessment is conducted through objective methods of research. The Realist evaluation provides a general tool, i.e. a simple scheme, that can be adopted in the study of a given program.

**Figure 8: The Realist evaluation scheme.**

The final result of Realist evaluation will show how to achieve better-focused and more effective programs. The open nature of programs, its context-related factors and unexpected outputs put a limitation to the evaluation per-se. Nevertheless, as the two scholars claim, it is always useful to detect processes that are activated involuntarily and during the course of a program implementation, finding causes that have made a given program responsible for some changes. It is always valuable to know about the circumstances and conditions that have allowed the intervention to reach certain outcomes.

The Realist approach is the logic of inquiry chosen to conduct this study. In this section, the main features underlining this approach have been listed to better address the reader to the next sections of this study.
2. Governance, Administrative Capacity and the LEADER Initiative.

2.1. Multi-level vs. State-centric governance.

The process of European integration in the past decades has been questioned by scholars, governments of the Member States and the public. Important stages have been achieved especially with the signing of the Maastricht Treaty in 1992 and the creation of the single market. The debate evolved around the concepts of autonomy and authority of the Member States. Does the empowerment of supranational and sub-national authorities seriously hinder the autonomy of the member states? Is there a shift in the balance of powers and have Member States given up some of their power in decision-making in favor of other institutions?

Scholars have been trying to answer these questions and finally managed to provide two opposing conceptions describing governance: multi-level governance and state-centric governance or intergovernmentalism.

The notion of multi-level governance emerges in a study of Hooghe (1996) and Marks (1992, 1993, 1996) where the presence of a specific type of governance architecture in the EU (European Union) is described both in relation to the process of intra-state policy-making and infra-states policy making.

Multi-level governance relies on a balance among sub-national, national and supranational policy-making powers that jointly contribute to the achievement of European integration. It is a polity creating process with shared functions and powers in specific policy areas. In fact, since the Treaty of Rome, the Member States of the European Community have progressively agreed on the establishment of several European supranational authorities yet practically giving up some control over their own countries’ populations.

The opposing view to multi-level governance is the so called state-centric governance or intergovernmentalism (Moravcsik, 1991) which does not involve any loss of Member States’ autonomy in the decision-making process. The steps achieved in the integration process in the years after the creation of

---

63 A polity is generally understood a geographic area with a corresponding government. However, it may also refer to the subordinate civil authorities (jurisdictions) such as a province, prefecture, county, municipality, etc.
64 In 1951, Robert Schuman, French foreign minister, within the European Coal and Steel Community framework, proposed the creation of a series of supranational authorities, namely: the European Commission, the European Parliament, the Council, the European Court of Justice and afterwards: The European Union Council, The Court of Auditors, 1975; European Central Bank, 1998.
65 See also Taylor, 1991; Garrett, 1992; Caporaso and Keeler, 1993; Milward, 1992.
the EU have been built on a bargain among member states: supranational institutions exercise only little and apparent power over Member States.

The roots of the state-centric model lie in neo-realism (Caporaso, 1995) but there are several approaches to the model by scholars. The most interesting is liberal institutionalism and regards the EC (European Commission) as “a successful intergovernmental regime designed to manage economic interdependence through negotiated policy-coordination” (Moravcsik, 1993:474). Although the European Commission, by the early 1990s, had produced an annual regulatory output greater than 80% of most individual states, state-centric scholars have asserted that no loss of sovereignty has been evidenced: “what is changed is the wish of national legislatures and governments to do certain things rather than their legal or constitutional right or capacity to do them” (Taylor, 1991:123).

In the view of state-centric governance, the policy-making process is always consistent with national interests and allows for the enforcement of power within one state’s borders. Nevertheless, this does not prejudice the existence of supranational policy-making mechanisms if they do not collude with the exercise of national control. In fact, supranational decisions are taken following a bargain among member states and shared interests are nothing but the consequence of state by state or infra-states compromises. Moravcsik (1991:26) argues that: “Even when societal interests are transnational, the principal form of their political expression remains national”.

The first main difference between the two conceptions centers around the concept that in multi-level governance, the decision-making process is not entirely in the hands of executives but is shared by actors at different levels. Therefore, European supranational authorities, like the European Commission, the European Court and the European Parliament are independent authorities which may contradict single countries’ requests and political decisions.

Secondly, there is no balanced bargain in collective decision-making among the different political arenas of the member states. EU-level decisions may cause a detriment or a benefit to member states at different instances.

Thirdly, sub-national actors are not only dependent on the local political arenas, they can act outside of the national scope and create transnational associations. National and international politics are nonetheless interconnected and states, rather than monopolize, share control at different levels with different actors.

But why should national leaders agree to give up some of their power and transfer it in the hands of supranational and sub-national actors? The most trivial explanation could be attributed to the fact that
national governments may outweigh the cost of losing decisional power with some other benefit. More specifically, Hooghe and Marks (1996) point out two main concepts providing reason: cost vs. benefits of decisional reallocation and intrinsic benefits of decisional reallocation. The first concept is strictly related to Williamson's transaction cost theory: collective decisions among Member States, for instance, may require too intensive and time demanding negotiation. Nonetheless, decisional reallocation creates cost for national governments but these cost may have an influence on a longer time span whilst supranational decisions reinforced on the entire EU can still have a more convenient outcome than these cost. In the case of intrinsic benefits, political leaders may wish to reallocate their decision power in order to avoid internal political conflicts or simply because the supranational political inclination may be in line with the national leader's political ideology.

In any case, national governments can still negotiate with supranational authorities and receive a particular benefit every time an inconvenient or a politically contrasting decision is taken.

In the context of European multi-level governance, scholars have frequently adopted the policy network (Peterson, 1995; Conzelmann, 1995; Rhodes et al., 1996) as an analytical tool for observing the dynamics of exchange among national, supranational and sub-national actors. Hooghe and Keating (1994) identify the existence of "dual networks". In dual networks, regions can act directly with the Commission while bypassing the "gateway" power historically held by national governments. Thus, there exists a specific relationship between the parties as well as constantly shifting alliances in the triad of powers. This is a totally new situation for national states and regions, the latter being endowed with stronger power and the necessity to manage their development plans directly. Regions are now required to investigate their internal economic condition, negotiate with supranational institutions and manage the received resources in the most efficient way possible.

Nobel honored Sir Williamson lists the principal dimensions describing transactions in a transaction cost economy: the frequency of transaction accuracy and the degree and type of uncertainty. Moreover, there can be several kinds of asset specificity: site, physical, human, dedicated assets, brand name capital and temporal. For further research on this topic, please refer to Williamson, O. E. "The Mechanisms of Governance" (1996).

Ansell, Parsons and Darden (1997) have analyzed the policy network approach based on a structuralist logic rather than an exchange logic: while the exchange logic builds on the exchange of resources between the parties the structuralist one analyses the same but from the prospective of the parties' position. Basically, it considers regions, nations and supranational exchanges and agreements also with regard to the maximum benefit they can derive being in this position. This approach evaluates important implications for the overall interactions and the subsequent political equilibrium.

Muller (1992) has discussed the new role of regions and the Commission with respect to the French policy model.
The principle of subsidiarity calls directly for the involvement of local actors like regions or sub-regional entities in the accomplishment of those tasks which would not be performed in a more effective way by higher level authorities. In this context, multi-level governance describes the different interactions, endowments of responsibility and implementations among the involved actors.

Multi-level governance implies a bottom-up approach to policy design and implementation, and here again the principle of partnership suits the case well: “implementation more often implies complex interactions between public and private actors and organizations at the national, regional or local level, with potentially diverging interests, beliefs and perceptions with regard to the underlying policy problem. From this perspective, implementation is seen less as a being based on hierarchically defined and controlled requirements and is more understood as a bargaining process between a great number of organizations and administrative agencies participating in the implementation process” (Knill, 2006: 362).

Hooghe and Marks (1996) classify two contrasting visions of multi-level governance with respect to its organization: the first one deals with the dispersion of authority to jurisdictions that serve a general purpose. These jurisdictions, being local, regional, national or supranational, bundle several functions together and have different responsibility. The relevancy for citizens lies in the territorial trait of such jurisdictions which is the only stable one for decades.

The second vision of governance describes specialized jurisdictions serving a specific task and being responsible for a limited and well defined set of activities. Drawing from these concepts, they categorize multi-level governance under two distinctive types:

*Figure 9: The two distinct types of multi-level governance*

<table>
<thead>
<tr>
<th>Type I</th>
<th>Type II</th>
</tr>
</thead>
<tbody>
<tr>
<td>General-purpose jurisdictions</td>
<td>Task-specific jurisdictions</td>
</tr>
<tr>
<td>Non-intersecting memberships</td>
<td>Intersecting memberships</td>
</tr>
<tr>
<td>Jurisdictions at a limited number of levels</td>
<td>No limit to the number of jurisdictional levels</td>
</tr>
<tr>
<td>System-wide architecture</td>
<td>Flexible design</td>
</tr>
</tbody>
</table>


---

The principle of subsidiarity calls upon the European Charter of Local Self-Government of 1985. It ratifies the signatory states to guarantee local authorities their political and financial autonomy. The principle per-se allows EU intervention only on matters where no exclusive competence is held, otherwise control shall be left to national, regional or local authorities.
Type I governance reflects the intellectual foundation of federalism. It concerns national governments and a tier of sub-national actors that can also assume the role of sub-national governments. Among the characteristics of this type of governance, we have 1) the general-purpose jurisdictions which characterize the allocation of decision-making power in a dispersed manner. As a consequence, there exists a more territorial administration performing several functions, with costs and benefits. Moreover, the jurisdiction levels are well defined and represent a system-wide, durable architecture. In modern democracies, jurisdictions usually adopt the “trias politicas” structure: an elected legislature, an executive and a court system. Even when moving from different sizes of jurisdiction, the basic structure of institutions stays similar. Moreover, they are durable because it would be costly to re-allocate policy functions periodically.

In type II multi-level governance, we find many jurisdictional levels where the hierarchy is less conceived in a systematic fashion but, as students of this topic argue, each public choice should be confined to the level that most effectively internalizes its benefits and costs. Rosenau (1997) describes this type of governance as “fragmented”, meaning that the normal distinction between national and foreign authority is not prevailing anymore. In fact, in this context, the unit of analysis is the single policy rather than the government. The jurisdictions do not respect specific borders but could as well be overlapping, “nested in the structure of the nation-state” (Casella and Weingast, 1995:13).

In the analysis of the EU, there is no clear agreement among scholars about the definition of the type of multi-level governance that best suits the case. Bache (2008) argues that Type I and Type II governance are complementary. Both types deliver flexibility, economies of scale and custom-designed responses to externalities. Also, the trend towards decentralization of power within jurisdictions in the EU has touched all major western European Countries.

However, as Marks and Hooghe (2011: 23) point out: “Sub-national dispersion of authority follows the logic of Type I-not Type II. The overall structure in the European Union is relatively simple, even elegant. There are few rather than many tiers. The territorial scales of government across the EU range between three and six. This is far cry from the near infinite jurisdictional dispersion conceived in Type II multi-level governance”. The European Union bundles competencies in policy together that, in other parts of the world, are executed by several jurisdictions.

---

70 For a study of federalism within the context of the European Union, please refer to: Burgess, 2000; Caporaso, 1996; Moravcsik, 2001.
However, under monetary policy and border controls, the EU resembles more type II multi-level governance. At the local level, type II is a common feature of Switzerland and the United States, although in the EU Regional Policy, the principle of partnership falls more specifically into this category.

Marks (1993) highlights the lack of importance given to sub-national levels in intergovernamentalism and neofunctionalism studies of the EU. Especially after the 1988 Reform, he claims the rise of decision-making power exercised by sub-national authorities, also the connections with other levels of authority. While the 1988 Reform was a clear demonstration of empowerment by the EC to lower level authorities, subsequent disputes provided sub-national governments and the Commission “with the resources and opportunities in an emerging multilevel policy arena” (Marks, 1993:403). Despite this, Bache (2008) indicates how the analysis of implementation of the principles of additionality and partnership is characterized by national governments limiting the power of the Commission and subnational authorities.

On the other hand, Pollack (1995), following the intergovernamentalism view, claims that the subsidiarity principle and all other similar institutional arrangements created within the 1988 Reform, were possible due to the power given by member states to the Commission, even though this power could also have been taken away at any time by national governments. The importance of member states’ authority is further stressed in the topic of Regional Policy. While he states that the Commission and the regions act as independent actors, he also claims that their ability to influence policy outcomes is periodically revised by national governments.

2.2. The Concept of Administrative Capacity.

In the 21st century, a new paradigm has emerged in public administration. The traditional model of bureaucracy and administration has given space to a flexible, market-based form of public management (Hughes, 1994). Before the 1980s, governments organized themselves within a hierarchical structure, following the classic bureaucracy approach of Max Weber. Evans (1992, 1995) argues that the “Weberian State hypothesis” is still a necessary, even though not sufficient, condition for a state to be “developmental”. Practically, the main hypothesis emerges along the concept of the substitution of a patronage system with a professional state bureaucracy. Although still characterized by a hierarchical system, Evans considers some characteristics of the “Weberian” state as being “innovative”: meritocratic
recruitment, no political appointments or dismissals, and career advancement through internal promotion.\textsuperscript{71}

Nevertheless, the standard way of government administration until the 1980s was far from being innovative and considered a one-best-way of operating according to strict manuals and procedures. Another important characteristic was the bureaucratic delivery (Taylor, 1911): governments involved in ruling over a particular market policy area were at the same time the only suppliers of the respective services or goods being offered, manifesting an economic framework shaped by monopolistic structures. The politics/administration dichotomy was commonly accepted and was actualized by a set of procedures under the view that public administration was only carrying out whatever politics had previously decided (Wilson, 1941). The main features of the public servant were to be neutral, anonymous, and life-employed with the task to obey to political choices.

After the 2\textsuperscript{nd} World War, these characteristics were addressed through capitalistic lenses. The Russian Revolution of 1917 and the Great Depression of the 1930s created the big opposition between socialism and capitalism and merged into the creation of the so called “Welfare State”. Rapid urbanization, public-private partnerships, an expanded role of the state and social order were among the main features characterizing the decades until the 1980s (Heady, 1996; Graycar, 1983).

During the 1980s, politicians like Margaret Thatcher and Ronald Reagan initiated a series of reforms that renovated the previous view on bureaucracy and government role in the economy. They promoted government downsizing, massive privatization and a fierce opposition to the socialist theories of the now former Soviet Union. This new trend in government role and bureaucracy was faced with the emergence of globalization occurring after the 1990s. The creation of supranational authorities like the World Bank, the International Monetary Fund (IMF) and the European Union have completely undermined the classic way of doing politics generating the need of a new form of public administration. A new age of uncertainty and hyper competition (Weick and Sutcliffe, 2001) under the orthodoxy of market supremacy (Lindblom, 2001) has taken over. Consequently, the ideology of public administration and bureaucracy has been replaced by the “new public management” paradigm (Barzelay, 2001).\textsuperscript{72}

\textsuperscript{71} At the beginning of the 20\textsuperscript{th} century, Max Weber published a group of essays by the name Economy and Society, where he argued in favor of the fundamental value of bureaucracy as the foundation of capitalist growth. The opposing and previous view had been set by Adam Smith and emphasized the importance for government to not intervene in the economy.

\textsuperscript{72} Not all scholars agree on recognizing New Public Management as a new paradigm. There are those in favor (Osborn and Gaebler, 1992; OECD, 1998; Barzelay, 1992) and there are others arguing that the term paradigm contains notions that are to high for describing such a trend (Hood,1995; Lynn, 1997, 2001; Politt, 1990,1993).
Hughes (1994) describes seven challenges of New Public Management that firmly oppose the classic view on bureaucracy:

- Bureaucracy is powerful but does not work well in all circumstances and may also generate negative consequences;
- The one-best-way brings about rigidity in operation;
- Delivery by bureaucracy is not the only best way to provide goods in the economy;
- Bureaucracy was once operating out of society whilst current demand by the citizenship is towards a more strict relationship between society and government power, namely accountability;
- Public servants are no longer seen as dominated solely by the public interest;
- Changes in the private sector in the field of recruitment have affected also the public sector;
- The tasks of the public sector are now seen more managerial and less administrative.

Thus, all the changes that have occurred in the last decades do not only involve the society and the political landscape but include broader topics in organizational theory, social sciences and economics as well. New types of governance have emerged with the attempt to renew governments and bureaucracy, in response to the current socio-political situation and the new structure of national, international and supranational authorities. There are various aspects of reality affected by the shift towards the adoption of the New Public Management paradigm; an important one in the field of public administration is administrative capacity. Goverde and van Gestel (2000) have defined administrative capacity as the degree to which the new types of governance are successful in handling societal and administrative problems. Nelissen (2002) differentiates between types of administrative capacity: short term and long term, formal and informal, planned and spontaneous, local, regional and national, indicated and effective administrative capacity.73

As previously stated, another feature that has emerged in advanced democracies is the higher importance assigned to accountability. According to Hughes “the system of accountability is what ties the administrative part of government to the political part and ultimately to the public itself” (1994:237). Systems of accountability are thus associated with the broad approval of the community. Therefore, the government and public servants are accountable for delivering the best interventions in the best interest of the community. This growing trend translates into a higher demand for effectiveness and efficiency.

In common literature, the macro approach to the measurement of bureaucratic performance is typically addressed by using a principal-agent model. The introduction of monitoring systems (principal) has proven

---

73 By indicated administrative capacity, Nelissen (2002) refers to the potential while the actual performance is effective.
to reduce corruption and improve delivery by bureaucratic agents (Klitgaard, 1988). Also performance-based pay and (implicit) tournaments for higher-level positions have been attested to be effective (Milgrom and Roberts, 1992). This approach has generated criticism with regard to implementation. Politicians who are imposed a monitoring system upon to control their performance might be reluctant or the monitoring agents can be corrupted themselves. Rauch (1995) combines the Weberian State hypothesis with the principal-agent model. Internal promotion, for instance, is simply seen as a way of recruiting the principal from the ranks of the agents. A principal who gives higher value to power will spend more time supervising his agents than performing his own tasks and duties. Agents who also attribute higher value to power will increase their chances of becoming principals. The result is a vicious cycle that increases the extent to which bureaucracy carries out its tasks of public good provision (Evans and Rauch,1999a).

Summing up, there are several hypothesis of the Weberian State that are still considered beneficial for the effective functioning of a bureaucratic system. The table below is a personal elaboration drawing on current literature on bureaucratic performance, describing two of the Weberian hypothesis, as the ones mainly considered by scholars:

<table>
<thead>
<tr>
<th>Weberian Hypothesis</th>
<th>Main feature</th>
<th>Intended Consequences</th>
<th>Unintended positive Consequences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meritocratic Recruitment</td>
<td>Based on a combination between education and examination</td>
<td>Increases minimal competence, Help generate corporate coherence and esprit de corps</td>
<td>Higher efficiency/effectiveness, Rises motivation</td>
</tr>
<tr>
<td>Predictable career ladder with competitive salaries</td>
<td>Provides long-term tangible and intangible rewards for those recruited</td>
<td>Increases competence in the long-run and corporate coherence in the short/long run.</td>
<td>Decreases attractiveness to corruption</td>
</tr>
</tbody>
</table>

Besides addressing performance-related effects of bureaucracy, the Weberian State hypothesis, along with the new paradigm of public management, aims at affecting economic dynamism. Poor literature before the 1990s strictly investigated the relation between the Weberian hypothesis and economic growth. The first

---

74 Gerth and Mills, 1958; Parsons, 1964; Stinchcombe, 1974; Rauch and Evans, 1999a; Rauch and Evans, 1999b.
important studies were carried out at a national base, especially after the emergence of the “East Asian Tigers”, as a way to advocate bureaucratic structures and economic growth (Amsden, 1989; Quah, 1993). Nonetheless, the methodology used for these studies was mainly micro and descriptive (case studies) and did not use macroeconomic nor sociological models. Mauro (1995) investigates this relation from the perspective of “red tape” and “corruption” relating it to levels of investment thus finding positive correlation and consequently an association with economic growth. Knack and Keefer (1995) use the country risk indicators to expose the relation to variations in growth of per capita income. Most of the case studies on the issue primarily focus on the role played by bureaucracy in fostering private investments. Evans and Rauch (1999b) test the Weberian hypothesis in cross-sectional comparisons of the last twenty years of the last century. They find evidence that countries incorporating the Weberian features experienced more rapid economic growth.

Farazmand (2009) designs a macro-strategic capacity for bureaucracies to adopt in order to engage effectively in the current scenario. According to his theory, public policy and administrative action should assume an adaptive strategy, service delivery performance strategy and development and advancement strategy. An adaptive strategy must be responsive and reactive to adapt to changing situations but also proactive and anticipatory. Moreover, governments must perform well in situations of emergency, crisis and in routine along with adopting strategies that aim at continuous growth and advancements. Despite so, the overall strategy cannot succeed if other areas of capacity building are not achieved. Those include: governance, instrumental and administrative capacities. Moreover, when considering new kinds of governance, there are some features which are essential for an effective and efficient bureaucracy functioning. Being able to create a collaborative partnership both horizontally (with other governments) and vertically (with lower and upper-level authorities) is another essential feature of the network economies of today (Wettenhall, 2003). Building trust in the networks and staying accountable are further important aspects that, combined with policy, politics and administrative capacities, contribute to the achievement of a responsive bureaucracy. Administrative capacity comprises itself a series of characteristics that make up quality governance: (1) structural capacity such as centralization, decentralization, etc (Galbraith and Lawler et al., 1993); (2) process capacity including efficiency, effectiveness, “mutual causality” and self-regulative organizational behavior (Senge, 2006); (3) cultural or normative capacity (Paquet, 1999; Schein, 1992); (4) institutional and organizational capacities (Scott, 2001); (5) learning leadership and managerial capacities; (6) strategic human resources capacity.


While Weber presents long-term historical changes in organizational forms, Evans and Rauch are more focused on the investigation of a contemporary period cross-sectional study.
(Farazmand, 2009); (7) financial resources capacity; (8) cognitive capacity for instance through “holistic learning” (Nokata and Takeuchi, 1995); (9) technological capacity; (10) ethical, accountability, and legal/constitutional, responsiveness, fairness (Cooper, 1998) and finally (11) developmental capacity (UN, 2005;2007).

2.2.1. The European Union’s Procedures for Capacity Building

The Tavistock Guide of 2003 and its digital extended form, EVALSED, put a particular emphasis on institutional capacity building. This is the result of an increasing demand by European member states to ensure that the resources devoted to Regional Policy are not wasted but used efficiently and effectively. The Guide claims that the “need to build institutional and administrative capacity is a sometimes implicit but increasingly explicit transversal goal of socio-economic development policy” (The Tavistock Guide, 2003:83). The models draw on the New Public Management paradigm to overcome inefficiencies and reduce the distance of public bodies from society. The Guide stresses also the importance of the diffusion of evaluation. Evaluation is said to be crucial for the systematic identification of the best alternatives and for reshaping programs and modernizing new ones. In addition, it emphasizes the relevance of “opening the administrative black box to the scrutiny of external stakeholders” (The Tavistock Guide, 2003:86). The result could be a strengthening and an increase of “social capital”, especially if the economic effects of such improvements are analyzed by endogenous growth theorists.

The main intent of the Tavistock Guide is to provide public administrations’ officials with a comprehensive framework for a better delivery of the European Commission’s requirements of ex-ante, in itinere and ex-post evaluation. Nevertheless, Member States may already have their own procedures and best practices that may differ from the ones suggested in the Guide. The national and regional environment, the nature of the execution and the institutional setting may totally differ from country to country. There are countries like the northern European states that already have embedded much of the recommendation presented in the Guide, while others like Italy and Greece present poor evidence of evaluation and best practices of administrative capacity (Batchler, Wren, 2006:149).

An idealized model of evaluation is described in detail in a long section of the Guide. The model is intended to help setting a “plausible and reliable” route to develop evaluation capacity.

---

Figure 10: A stepwise approach to capacity building.

**Box 3.1 An idealised model of evaluation capacity building**

<table>
<thead>
<tr>
<th>FIRST STAGE</th>
<th>step 1</th>
<th>step 2</th>
<th>step 3</th>
<th>step 4</th>
<th>step 5</th>
<th>step 6</th>
</tr>
</thead>
<tbody>
<tr>
<td>WORKS AND REGULATIONS</td>
<td>TOOLS AND GUIDELINES</td>
<td>ESTABLISHMENT OF CENTRAL STAFF</td>
<td>CREATION OF DECENTRALISED UNITS</td>
<td>IMPROVEMENT OF EVALUATION SUPPLY</td>
<td>ESTABLISHMENT OF AN EVALUATION SYSTEM</td>
<td></td>
</tr>
</tbody>
</table>


There are four stages and 6 steps in the model. The first stage constitutes the broader concept of accountability. The Guide stresses the fact that the European Commission has few regulatory requirements for Regional Policy administrative agencies to comply with. A system based on rules and regulations could generate an opposite effect than intended due to the problem of “information asymmetry”. In fact, there is a difference in the amount of information that higher level authorities own with respect to lower level ones. The conditions encompassed in the external environment under which a program is carried out may also be misunderstood by higher authorities with subsequent bad consequences for the stability of higher-lower level authorities relations.

The second stage emphasizes the importance of developing a professional staff generating quality. It is recognized that the process of creating a professionalized staff may take several forms. There are several organizational architectures and forms that can be shaped. Centralized versus de-centralized units; inter-departmental networks; free-standing department units; etc. Regardless of the institutional arrangement, it is important to find a balance between professional knowledge and accumulation of expertise. On the other hand, one aspect that is hard to achieve is the balance between involvement and independence of the evaluation. If all the steps are set in an effective manner, the overall result is a testified shift from accountability to learning.

The third stage to be conducted according to The Guide is that of institutionalization. It comprises two steps that are usually carried out simultaneously. Firstly, it is advised to strengthen the demand side of
evaluation through the creation of a network of specialized units. The result would see the beginnings of a “community of practice” and also the scope and scale of evaluation would be extended. As the scope of evaluation shifts from ex-ante, the role of independent suppliers increases. Parallel to the establishment of specialized decentralized units, it is ideal for capacity building to improve evaluation with the help of universities. In this way, there is an external but still competent pool that will deliver evaluation in a more independent manner. Moreover, the exchange of information with external suppliers creates a network that can be beneficial for the same administrative body in terms of the learning process\textsuperscript{78} that can be generated.

The final stage indicated in the table refers to the establishment of 1) stronger internal links within the system and 2) opening up the network to external stakeholders. The overall result would see the re-emergence of accountability but in a more mature and complex manner, i.e. accountability with greater reliability.

Obviously, this is only an idealized model that serves as a framework for institutional capacity building. In practice, it is hard to impose models and rules because, as the Guide indicates, evaluation cultures are very distinct across Europe. For instance, it is important that a certain motivation for carrying out evaluation must come from inside the organization.

The “Weberian” hypothesis previously discussed, the practices of the New Public Management, along with the guidelines suggested in the Tavistock Guide, could provide administrative officials in Regional Policy with a good base for establishing an efficient body implementing programs and delivering effective results.

2.3. The European Agricultural Fund for Rural Development and the LEADER Axis.

Following the relevance that accountability, NPM, multi-level governance and administrative capacity have assumed in the last two decades, new kinds of intervention policies are being pursued by the European Union. The section below shows, according to the study’s author, the best representation of European policy initiative embedding all the above listed features introduced from the 1988 Reform.

\textsuperscript{78} The importance of the establishment of a trusted network is a concept that has been developed in several areas: from business to organizational management, from political science to economics. Powell (1990) draws from Williamson’s study on transaction cost theory in arm’s length transactions to include networks. The learning effects deriving from the establishment of a close tight of relations must offset the transaction costs related to sharing personal assets with these partners. Possible problems otherwise arising could be related to 1) bounded rationality: not all contingencies when engaging in a network can be predicted and 2) opportunism as a natural human trait.
The Council Regulation EC No 1290/2005 of the 21st of June 2005 defines a new legal framework for the CAP, the Common Agricultural Policy. For more than 40 years, the CAP has been the major policy of the European Union, where the highest proportion of funds have been devolved. It comprises two funds: the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD).

Prior to the 2006 regulation on Regional Policy, the LEADER+ initiative for the development of rural areas was financed by the Structural funds. As previously mentioned, the initiative now falls under the EAFRD.

Considering the past programming period (2000-2006) for reasons of completeness, a total of 5046.5 million Euro was allocated to the LEADER+ initiative, of which 2105.1 million were funded by the EAGGF Guidance section and the rest by public and private contributions.

The initiative was established in 1991 and represented the first example of a participatory “bottom-up” approach to rural development (Mar Perez-Fra and Verdugo-Mates, 2005). The implementation of the LEADER includes also other important features that determine the nature of the initiative: local partnership, multi-sectoral integration, innovation, inter-territorial and transnational co-operation, networking, decentralized management and funding of local development.

Before the LEADER initiative, rural development was considered as being part of the agricultural sector rather than a territorial phenomenon encompassing all sectors of the economy. As the level of employment in agriculture across Europe slowly declined after the Second World War, it was evident that agriculture had to assume different connotations as to embed tourism, services, small crafts, etc. The need for diversification of the primary sector was recognized as a priority for development in all those European territories traditionally keen on agriculture.

In pursuit of this concept, the Directorate General for Agriculture (DG Agri) launched the initiative without formally obliging Member States to adopt it. The reason of this was the implementation procedure of the LEADER initiative: through a “bottom-up” participatory approach, involving several levels of authorities, and more directly, the local municipalities, an unusual action for several Member States (Saraceno, 1999).

In the early 1990s, a total of 217 programs in 12 Member States were approved by each Member State and

79 Rural areas, as opposed to urban areas, cover 91% of the EU-27 territory and 56% of total population.
80 The Salzburg conclusions are addressed at having a single fund and a single financial management system for rural development. The EAFRD replaces the EAGGF Guidance and Guarantee, it falls under Art.37 of the Treaty and not anymore Art. 159.
81 The first programming period 1991-1994 was called LEADER I, then LEADER II for 1994-1999, LEADER+ for the 2000-2006 period assumed the same programming time set for Regional Policy. The current programming period is 2007-2013.
finally by the Directorate General for Agriculture. In LEADER II, about 900 programs were approved in 15 Member States, but this time the European Commission was no longer involved in the selection process, leaving responsibility of this task to the regions. The programs were carried out by local action groups (LAG), i.e. public-private entities that presented a business plan, a territorial diagnosis and objectives. Local action groups (LAGs) are territorial areas mostly smaller than provinces, comprising several municipalities with a common economic inclination towards agriculture. The type of actions requiring financing and demanded by the LAGs spaced from rural tourism to SMEs (Small and Mid-sized Enterprises) services, animation, technical assistance, commercialization of agricultural products, etc.

More precisely, between 1991-2006, the 1143 LAGs created in 25 Member States had four basic themes for their programs: “use of new know-how and new technologies”; “improving the quality of life in rural areas”; “adding value to local products”; “best use of natural and cultural resources”. LEADER+ 2000-2006 was structured around 3 actions, together with technical assistance:

*Figure 11: The structure of LEADER+ 2000-2006.*

<table>
<thead>
<tr>
<th>Action</th>
<th>Support for integrated territorial development strategies of a pilot nature based on a bottom-up approach</th>
<th>4,377,6</th>
<th>86,75</th>
</tr>
</thead>
<tbody>
<tr>
<td>Action 2: Support for cooperation between rural territories</td>
<td>504,8</td>
<td>10,00</td>
<td></td>
</tr>
<tr>
<td>Action 3: Networking</td>
<td>68,7</td>
<td>1,36</td>
<td></td>
</tr>
<tr>
<td>Technical assistance</td>
<td>95,4</td>
<td>1,89</td>
<td></td>
</tr>
</tbody>
</table>

Source: http://ec.europa.eu/agriculture/rur/leaderplus/intro_en.htm

The selection of the LAGs falling under action 1 was much more restrictive in LEADER+ than in the previous programming periods. The selection procedure was based on the nature of each LAG’s program, including the rural nature of the territories, their homogeneity in physical, economic and social terms and the innovative character of the development plans. Moreover, the local partnership had to account for at least 50% of economic and social partnership, with high relevance and potential given to effectiveness. The relevance and effectiveness of the partnership is still assessed “in terms of the transparency and clarity in the allocation of tasks and responsibilities”\(^\text{82}\). The members of the LAG are to be locally based and need to 1) select an administrative and financial leader and 2) to represent a legally-constituted common structure.

\(^{82}\text{Commission notice to the Member States of 14 April 2000 laying down guidelines for the Community initiative for rural development (Leader+).}\)
Unlike LEADER I and II, in LEADER+ and in the current programming period, all regions can apply for funding. Given the rigorous selection procedure, the choice for selected LAGs is left to the national authorities.

Below, the main features of the LEADER initiative framing the peculiarity of such policies are listed according to Saraceno (1999); in a comprehensive manner:

- A locally based approach: the invested area cannot have more than 100,000 residents and must be homogenous;
- A bottom-up approach: private and public sector actors are to be involved in programming and funding is to benefit the whole community;
- A local action group: formally a partnership of public and private local interest groups, independent and heterogeneous in the decision-making process for the allocation of fund to the beneficiaries;
- An emphasis on innovative actions that are not financed through other sources of funding or under-exploited resources;
- A global and integrated approach linking together relevant sectors of the local economy in a coherent and homogenous fashion;
- The promotion of networking activities between the different LAGs;
- A global allowance of funds provided to each LAG for the implementation of its actions, partly financed by the EU and partly by the national/regional authority. For Objective I regions a maximum of 75% of the total eligible cost was granted by the DG Agri\(^{83}\).

In both LEADER+ programming periods, the pilot nature of the development plans presented by the LAGs is another important selection criteria reflecting the peculiarity of the initiative. The pilot nature is assessed through a series of characteristics: 1) the emergence of new products and services distinctive of the area; 2) new methods combining human and financial resources of the area; 3) links between economic sectors traditionally separated. Moreover, the methods must find re-application in other areas.

Action 2 in LEADER+ between 2000 and 2006 aimed at supporting cooperation between rural territories and more specifically, either in the same Member State (interterritorial cooperation) or in several Member States (transnational cooperation). The main features of the cooperation consist of pooling the know-how and/or human and financial resources in the creation of a joint project. The beneficiaries LAGs are chosen among Action 1 territories.

\(^{83}\) For all other areas a maximum contribution of 50% of total cost came from the DG AGRI (Directorate General for Agriculture).
Action 3 does not only concern the establishment of a network for the purpose of the exchange and transfer of experiences but also aims at stimulating and achieving cooperation between territories and providing information and drawing on lessons concerning territorial rural development. Beneficiaries are to provide all relevant information on actions undertaken as well as relative results. Member States propose the steps for the establishment of the network. Also the Commission, in the past programming period, has created an “Observatory of rural areas” for the organization of the network at community level.

The Rural Development Community Strategic Guidelines for the current programming period between 2007 and 2013 give further assistance to the Community priorities which are sub-divided in Axis. The community priorities add up to the National Strategic plans embedding national priorities. The LEADER+ initiative constitutes one of the four Axis. The table below shows the community priorities and relative guidelines.

**Table 4: Community Priorities and Relative Guidelines**

<table>
<thead>
<tr>
<th>Axis</th>
<th>Guideline</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Improving the competitiveness of the agricultural and forestry sectors.</td>
</tr>
<tr>
<td>2</td>
<td>Improving the environment and countryside.</td>
</tr>
<tr>
<td>3</td>
<td>Improving the quality of life in rural areas and encouraging diversification.</td>
</tr>
<tr>
<td>4</td>
<td>LEADER: Building local capacity for employment and diversification</td>
</tr>
</tbody>
</table>

---

84 Next to the 4 axes, there are the so called horizontal priorities: 1) ensuring consistency in programming and 2) complementarity between Community instruments.
85 There is a general emphasis over the Lisbon Strategy and Gothenburg Strategy on sustainable development (2001).
86 The LEADER is considered a methodological axes that could include the other axes through their programs.
The financial rules of LEADER, even if now falling under the EAFRD, comply with the same provisions laid down for Structural Funds and comprise in particular: 1) multi-annual legal commitment with the financial commitment split in annual installments; 2) differentiated commitments and payments Rule n+2; 3) paying agencies accredited at Member State level; 4) clearance of accounts. The main difference of Structural Funds is the size of the programs to be financed.

In general, small capacity accommodation and infrastructure and ad hoc training courses can be supported by the EAFRD while large investments fall under the category of Structural funds. At least 5% of total EAFRD contribution is reserved to the LEADER axis. Denmark and Spain are the countries assigning the highest importance to this program (10.7% and 10.9% respectively), while the new countries, Romania and Bulgaria, are those less recurring to this financing.

The table below shows the importance and composition given to LEADER+, 2007-2013, by Member State.

Figure 12: The Importance and Composition given to LEADER+ 2007-2013.

3. An Empirical Study on the LEADER Initiative in Southern Italy.

3.1. Il Mezzogiorno d’Italia

Mezzogiorno is an Italian word indicating the peak of the day, noon, when the sun shines perpendicularly on our planet. The Italian Mezzogiorno is, in weather terms, the land where the sun shines the most over Italy. The Mezzogiorno d’Italia is the way people refer to the Southern Italian regions, mainly corresponding to the regions of Calabria, Sicilia, Campania, and Puglia. Geographically speaking, the Mezzogiorno d’Italia could also include part of Rome’s region, Abruzzo, Molise and the island of Sardinia. In terms of GDP (PPP) at EU-27, the regions of Puglia, Calabria, Campania and Sicilia show values lower than the 68% of the Italian average, more than half of the counter Northern Italian central regions (Lombardia and part of Emilia-Romagna) and only similar to parts of Portugal, Czech Republic, Poland.

Italy is the only country signatory of the Treaty of Rome which still presents such a high level of infra-state regional disparities. The disparity persists if looking at other figures, like for instance the youth unemployment rate: in 2009, the Italian Mezzogiorno presented values three times larger than the North, only comparable to regions in Spain and the new eastern countries of the Union\(^{87}\). In 2007, the share of

\(^{87}\) Bulgaria and Romania.
GDP (PPP) generated in South Italy was 23.6% of the total Italian GDP while the GDP per capita was attested at only 57.4% of the total country average. Italy as a whole has shown low values of growth rates to 10% less than the European Union in the period 2000-2007. At the same time, the eastern states of Germany (neue Bundesländer) have grown at a much faster pace than their western counterparts, while the Mezzogiorno's growth has been only slightly higher than the Northern Italian regions. A study conducted by the Banca d'Italia (2009) states that the Italian Mezzogiorno has shown the worst performance in growth in comparison to European fellow regions. The recent economic crisis has hindered the Southern Italian economy even more strongly than the rest of the Country. This is mostly due to the small size of the southern Italian companies and relative poor presence in foreign markets.

Italian governments during the period of the 1st Republic have always devoted special attention to the Southern Italian case, creating policies aiming at eradicating old persisting differences.

Since the Italian unification in 1861, a “Southern Italian problem” was evident to the governments of the North. Years of foreign domination and the Spanish neglectency over the southern Italian territories had created a very different economic situation compared to the North. After the 2nd World War, the economic boom started, among all its effects, conspicuous migration flows from the South to the North of Italy and to other European countries like Germany. After the 1970s, the flows slowed down and also the Italian economy decreased its fast growth rates. The centre-right government initiated the “intervento straordinario” already during the 1950s, an extra-ordinary policy intervention for the South. The creation of a “Cassa per il Mezzogiorno” funding infrastructure and industrial investments benefited from a separate authority acting with its own financial resources. After the 1970s, analysts agreed on deeming such policies inefficient and ineffective due to the strong presence of politics that increased red tape and corruption (Felice, 2007; Barca and Trento, 1997). Moreover, the financial resources granted to the South were slowly diminishing and stronger attention was shifted to the requalification of the other Italian regions’ economy. Viesti (2010) referred to a “Southern theorem” ("teorema meridionale") indicating the failure of the Mezzogiorno’s economic development albeit continuous investments by the central Italian governments. The end of the 1st Republic in 1992 also marked the end of the programs devoted to the development of the South. However, the devaluation of the Lira favored the small enterprises of the Mezzogiorno while the

---

88 Other regions belonging to the Convergence objective and presenting values of GDP (PPP) of only 75% of the EU-27 average.
89 The 1st Republic is the period between the 1948-1992. The current period is referred to as the 2nd Republic.
90 The first Italian governments, still under the monarchy, were constituted mostly of politicians from the former Piedmont and Sardinia Reign’s government.
91 The reason of this failure, according to Vieste (2010), lies in the fact that the resources have been all wasted through welfare and useless activities thus favoring the existence of forms of political patronage and corruption.
establishment of a new political and leadership class resulted in a better political representation in the South (Catanzaro et al., 2002). In 1998, the Minister of Wealth, Carlo Azeglio Ciampi, who strongly believed in the potential and the importance of Southern Italy for the Country’s economy, promoted a series of interventions, 85% addressed to the Mezzogiorno and 15% to the under-developed areas of the North. The New Regional Policy (NPR or “nuova programmazione” in Italian) referred to the place based paradigm. Different from the model adopted by the European Union in setting Regional Policy, the place based relies on localization advantages, clusters, and the New Economic Geography. It relies on the notion that the original culture of an area can be modified by current times. On the other hand, new tasks and responsibilities were attributed to the regions, in line with the process of de-centralization and the emergence of new types of governance as initiated by the EU and the same Italian government. Moreover, the establishment of a new Department for development and cohesion policies aimed at facilitating the actualization of both Italian and European regional policies and thus, supported inter-institutional and public-private partnership.

Nevertheless, with the subsequent legislatures, the reforms of Mr Ciampi were never completely put in practice. Territorial plans and inter-territorial agreements for development were approved but the allocation of these funds did not present any character of additionality, contrary to what instead had been agreed upon with the European Union in the context of Regional Policy (Zanardi, 2010). This phenomenon of fund allocation for the South stopped in between 2008 and 2010 and has created two unintended consequences: 1) local administrations are currently seeking for grants for the financing of ordinary public investments with no medium or long term character of development; 2) regional authorities are now asking the European Union to support projects already realized through other sources of grant.

From a more European perspective, the regional policy in the regions of the Mezzogiorno assumed stronger relevance after the 1988 Reform of Regional Policy, and during the subsequent years, as a result of the increasing fund allocation. In the current programming period, only the regions of Puglia, Calabria,

92 The “nuova programmazione”, Mr Ciampi’s proposal, was supported by the FAS (Fund for Under Developed Ares).
93 For further reading see Krugman (1991), for localization and clusters “distretti industriali” in Italy see Brusco (1989) and Omiccioli and Signorini (2005).
94 The “nuova programmazione” started together with the Regional Policy of the EU but still after the 1988 Reform which was characterized by the emergence of multi-level governance (see previous chapters).
95 Art. 117 of 2001, Amendment to Title V of the Italian Constitution.
96 Italy has frequently asked the European Commission, and finally obtained in 2002, to revise the principle of additionality due to the Italian financial situation and public debt.
Campania and Sicilia fall under the Convergence objective. The regions of Basilicata, Abruzzo and Molise have phased-out while the region of Sardegna is phasing-in\textsuperscript{97}.

The general effectiveness of Regional Policy and its positive impact on generating growth has been examined before, and the Mezzogiorno case is not exempted from those evaluations. However, if looking into more details, Viesti (2011) examines the performance of the Mezzogiorno with the Hermin model\textsuperscript{98}. According to secondary macroeconomic sources of data, the effect of Regional Policy on the Mezzogiorno has been positive even though inferior to other Convergence areas. The table belows shows evidence for this hypothesis:

\textit{Table 5: The Cumulative Effect of Structural Funds on GDP (PPP), 2000-2009.}

<table>
<thead>
<tr>
<th>Country</th>
<th>Effect (PPP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portugal</td>
<td>16,7</td>
</tr>
<tr>
<td>Spain</td>
<td>16,7</td>
</tr>
<tr>
<td>Greece</td>
<td>15,9</td>
</tr>
<tr>
<td>Mezzogiorno</td>
<td>10,4</td>
</tr>
<tr>
<td>Eastern Germany</td>
<td>5,2</td>
</tr>
</tbody>
</table>

The lower performance of the Mezzogiorno and Eastern Germany, according to these data and analysis by Cerpem (2009), Martinez Oliva (2009), is attributed to the fact that Regional Policies activate big flows of imports from the economically strong regions of the same country. This factor sums up to the similar approach of the two areas on the redistribution effects of the public budget.

For a better understanding of the area of the Mezzogiorno, it is interesting to break down the resources that are deployed through Regional Policy. For the period between 2000 and 2006, the main interventions were concentrated on the transportation sector and on business support incentives for SMEs. In particular, SMEs have received a 20,2 % share of total funds compared to 14,4 % of the other EU-15 Convergence regions. The most financed SMEs belonged to the tourism sector. This choice probably results from the fact that the tourism sector in the Mezzogiorno is considered to have high potential while still being less developed than in the other EU-15 lagging regions.

\textsuperscript{97} The general Regulations (EC Regulation no. 1260 of 1999, article 6) call for transitional support, or a phasing-out period. This aims at a progressive withdrawal from the EC support for structural spending. Phase-in is instead the gradual introduction to the Policy.

\textsuperscript{98} The model considers the cumulative effect on GDP (PPP) of the final year with respect to the situation whereas no funding is computed. This method is suitable to a situation of additionality of policies (national plus European).
3.2. The region of Puglia\textsuperscript{99}.

From a geographical perspective, the regions of the Mezzogiorno are quite homogenous, but as mentioned before, from a wealth analysis perspective the area presents some differences. The LEADER initiative assumes particular relevance in the regions of the Mezzogiorno, not only given the scarce and almost inexistent financing by the Italian government, but also because of the rural character of the area. Nevertheless, for the purpose of this study, the area will not be examined as a whole. A delimited area of the region of Puglia has been chosen as a case study. Moreover, the local character of the LEADER perfectly fits the case study approach, which could find re-application in other areas of the Mezzogiorno.

The region of Puglia is situated at the eastern part of the Mezzogiorno. It is a narrow strip of earth between the Adriatic and Ionic Seas. It presents a population of over 4 million people. In the middle of the 1990s, Puglia experienced a growth in GDP (PPS) higher than the whole Mezzogiorno and, more importantly, higher than the Italian average.

In 2005, this trend reversed and the region showed a lower level of growth than its southern counterparts, with a value of only 0.2%. The unemployment rate in 2011 is in line with the other regions of the area and, considering unemployment among the youth (15-24 years), is attested at 34%, 3 times higher than in the Northern regions.

Also, FDI (Foreign Direct Investment) has been concentrated in the Northern regions: about 90% of total Italian FDI inflows in the period between 1997 and 2005 went to only 5 regions, none of which are located in the South. Puglia's share of total Italian trade registered in 2005 was only 15% against 65% of Lombardia.

An analysis of Puglia with respect to other regions of the Convergence objective like Andalucia, shows that even during the world economic crisis, these areas have registered higher export values than their national averages and, more importantly, higher values than Puglia. Moreover, in the last 15 years, the region has registered positive migration outflows, mainly towards the regions of the north.

\textsuperscript{99} In English, the region of Puglia is translated to Apulia, the ancient name, but here, for reasons of adherence to the local character of the study, the name is left in Italian.
Table 6: The relative values of the macro-sectors of Puglia in 2012.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Relative value in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>23.1%</td>
</tr>
<tr>
<td>Industry</td>
<td>12.1%</td>
</tr>
<tr>
<td>Manufacture</td>
<td>9%</td>
</tr>
<tr>
<td>Tertiary</td>
<td>48.8%</td>
</tr>
<tr>
<td>Other</td>
<td>7%</td>
</tr>
</tbody>
</table>

The table on the left shows the relative values of the macro-sectors of the economy in Puglia in the year 2010 (in local units). The agricultural sector is losing about a 1% share per year while the tertiary and industrial sectors gain percentage over the other sectors of the economy. In particular, one of the provinces of the region, Brindisi, lost a 12.8% in agriculture in 2007.

The sector presenting the lower relative value in employment terms is agriculture with 8.9% in the period between 2008 and 2010 against a 51% of the service sector. Nevertheless, there are still some within-region differences: the very southern part, the Salento area, shows that a higher portion of GDP (PPP) comes from agriculture and tourism, while the centre-north part of the region is more keen on industry and manufacturing. The biggest portion of agriculture is represented by olive grove and wine making\(^{100}\).

Another important feature of the region and its sub-areas is the co-presence of different cultural and historical heritage, coming from the past dominations of different populations.

3.2.1 The LAG “Terre del Primitivo”.

The LAG “Terre del Primitivo”\(^{101}\) is inserted in this regional context but technically, it only comprises a very delimited area in the sub-peninsula of Puglia called Salento (see Appendix 3). It belongs to one of the nine LEADER+ projects of the region and it is formally a consortium with limited liability. It was founded in 2003, becoming effective only in 2005. Legally, following the European regulation on the LEADER initiative, it is a private-public association made up of municipalities and private companies. The Local Development Plan is the main instrument used by the LAG which received the final acceptance by the national authority upon creation of the same LAG. The LAG’s Local Development Plan (LDP) is structured around two priorities: 1) “valorization of the local productive resources and establishment of relative networks” and 2) “valorization of natural and cultural resources”. The share of capital raised by private companies accounts for 66% of the aggregate amount of funds, while the rest is attributed to public entities for a total of € 138100. Among

---

\(^{100}\) The region of Puglia is the first Italian producer of olive oil and also the region with the highest ha of agriculture deployed for olive grove (Eurostat data, 2003).

\(^{101}\) The name means literally “Lands of the Primitive”, the Primitivo is a local wine variety.
the latter there are municipalities, universities and few environmental associations. More specifically, the partners are:

- 11 Municipalities;
- 30 agents representing collective economic interests;
- 10 agents acting in the public-institutional sector and agricultural organizations;
- 12 agents representing individual interests.

The comprised area of the LAG is identified as coastal for its 46% and it is completely classified as rural. The population is attested to be around 120000 residents. The GDP (PPP) per capita of the area is € 10841, much lower than the average of the region. Moreover, the unemployment rate is 22%, slightly higher than the regional average of 19.92%\(^{102}\). The major economic activity is industrial although agriculture contributes to the area’s GDP with a 11.65% share. The main cultivations are olive groves and grapes mainly destined at wine making. Tourism could as well be an important source of GDP (PPP) for the area even if it is still underdeveloped in comparison to other areas of the region\(^{103}\). Important determinants of tourism for the area are: the natural\(^{104}\) and historical character making up the rural area, the strong wine culture\(^{105}\) and the presence of several typical food products.

The general objective of the 2007-2013 LDP is “to improve the quality of life in the rural areas and promote the diversification of economic activities”. The two priorities mentioned before are followed by objectives, strategies and measures. The LDP is in line with the National Strategic Plan (NSP) and the Regional Development Plan (RDP) of Puglia, as expressed in the table below:

### Table 7: Overview of the NSP and RDP Puglia.

<table>
<thead>
<tr>
<th>General Objective of the NSP and RDP Puglia</th>
<th>Priorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Axis 3: same as Community priority(^{106}).</td>
<td>Improvement of the populations’ living conditions and business support. Retention and creation of new employment opportunities in the rural areas.</td>
</tr>
<tr>
<td>Axis 4: improvement of the governance and mobilization of the endogenous potential(^{107}).</td>
<td>Improvement of competences in programming and implementation stages.</td>
</tr>
</tbody>
</table>

\(^{102}\) All the macroeconomic data is taken from the Local Development Plan 2007-2013 of the LAG “Terre del Primitivo”.

\(^{103}\) In 2008 only 6% of the total tourist presence in the provinces of Brindisi and Taranto actually resided in the LAG area.

\(^{104}\) There are three important naturalist areas classified by the European Union as “Site of Community Importance”.

\(^{105}\) The first DOCG (Denominazione di Origine Controllata e Garantita) recognition for wine in Puglia was given to this area for the Primitivo di Manduria Dolce Naturale, a local wine variety which also gives name to the LAG.

\(^{106}\) The priority axes represent the strategic priorities for investment decisions.
There are 11 measures in the current programming period against the 6 of the 2000-2006 one. The table below summarizes the 2007-2013 measures of intervention:

**Table 8: 2007-2013 Measures of Intervention**

<table>
<thead>
<tr>
<th>Within LAG’s Priority 1</th>
<th>311 Diversification in non-agricultural activities; 312 Support to the development and creation of companies; 331 Training and information; 4.21 International and trans-national cooperation; 321 Essential services for the economy and the population;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within LAG’s Priority 2</td>
<td>323 Safeguard and requalification of the rural heritage; 331 and 4.21.</td>
</tr>
</tbody>
</table>

Each of these measures is finalized through a series of concrete actions. These actions take the form of investments. Beneficiaries can formally apply for receiving funds through the participation in a public scrutiny. Obviously, there are different selection criteria for each different action, but more generally, the selection procedure is done through the attribution of points for compliance. The selected beneficiaries receive a financing of 50% of the total costs incurred up to € 400 000\textsuperscript{108}. The EAFRD contribution to the grant stands at 59% of the total. Generally, women and young entrepreneurs are privileged in the selection criteria and the financed activities span from SMEs in the tertiary sectors, to craftsmanship activities, companies investing in renewable energies and public institutions involved in educational activities. The LAG disposes of a total fund allocation of € 12 473 880\textsuperscript{109} for the actualization of its measures. More than half of this allocation is an EAFRD contribution.

Among the measures, the one destined to the “management, animation and acquisition of competences” of the LAG itself, constitutes 18% of the total fund allocation. This measure, number 431, is providing the financial support for hiring personnel and attribution of subsequent tasks. There is a managing board executing all the administrative functions of the LAG. The managing board is constituted of a director, a secretary, 3 people for the administration of the applications, external consultants for the approval of the construction activities and finally one person working in monitoring and control.

\textsuperscript{107} In general, the following applies: Axis 3 = Optimization of human resources, Axis 4 = Reinforcement and optimization of local development systems

\textsuperscript{108} The general highest threshold of the total cost of the investment is € 400 000. Some actions have a much lower threshold, about € 50 000 of the total cost of the investment.

3.3. The empirical study.

3.3.1. An Introduction to the Empirics.

In the previous chapters, the role of Regional Policy in the European Union’s history has been examined along with its long path towards modernization and subsequent evaluations with relative findings. In particular, the effectiveness of regional policy has been emphasized according to different evaluation techniques developed by scholars of economic sciences. Scholars are adopting very different and sometimes contrasting models for proving the effectiveness of Regional Policy over the medium and long run, while trying to adapting them to the requirements dictated by the European leaders, the European authorities and the European population. Scholars have provided an increasing number of answers to the issue of effectiveness of Regional Policy, also in relation to the increased importance attributed to accountability. The digression into the history of the Policy is thus strictly linked to its validity. Scholars serve this purpose as a consequence of the new trends in public management.

On the other hand, in order to give coherence and provide an adequate understanding of the following section to the reader, the holistic character the LEADER initiative, has been highlighted. The choice of this specific initiative of Regional Policy and the focus on the case of a specific LAG within South Italy is not random. The LEADER initiative is the ultimate representation of the process of multi-level governance initiated at EU-level and employing all sub-levels authorities. In fact, the initiative started after the 1988 Reform and gave deeper ground to the practical implementation of the multi-level governance mechanisms.

As previously discussed, this change in governance, along with the higher emphasis put on accountability, has generated two major consequences: 1) the emergence and higher utilization of different approaches to evaluating Regional Policy. Besides the macro and micro approaches, we can now find studies adopting theory-based evaluation, theory of change, counterfactual impact evaluations, stakeholders evaluations, etc. 2) Greater importance is attributed to the administrative capacity of the agencies implementing the Policy.

The Realist approach is the logic of inquiry chosen to conduct the following empirical study, while the technique adopted is the case study. In fact, in line with the approach and the technique chosen, the previous chapter provides a detailed overview of the geographical area at issue. Furthermore, the characteristics of LEADER perfectly fit the features attributed to programs by Pawson and Tiley (1997):
• the LEADER initiative is “theory”: its lines of interventions are multiple and based on theoretical assertions;
• the LEADER initiative is “embedded”: different levels of society and authorities are involved in the creation and implementation of the initiative and they are all embedded in a very specific socio-economic context;
• the LEADER initiative is “active”: it involves the stakeholder participation in program planning;
• the LEADER initiative is an “open system”: changing the conditions that make the LEADER effective or non-effective may generate different outcomes110.

The choice of the case study as a technique is trivial because of: 1) the local character of the LEADER and 2) the complexity of the situation111. The purpose of the case study is mainly explorative, it tries to give a different perspective to the assessment of the initiative, outside of typical value-for-money approaches or studies providing macroeconomic correlation. The hypothesis that has been put forward through this study is the following: “Can administrative capacity influence the performance112 of the LAG “Terre del Primitivo?”.

The choice to concentrate on the case of a the LAG “Terre del Primitivo” comes from two important aspects: 1) as it has been already highlighted, Italy is the only country signatory of the Treaty of Rome that still presents such strong intra-country disparity and 2) Italy has historically invested huge proportions of public finances113 in the development of the Mezzogiorno, without actually achieving considerable results. An easier availability of data has then addressed the final choice to this specific LAG in the region of Puglia.

3.3.2. The study.

For this study, there are three sources of qualitative data. Secondary data is represented by the LDP of the LAG “Terre del Primitivo” while sources of primary data used are interviews and questionnaires. The three sources investigate different aspects of the administrative capacity of the LAG “Terre del Primitivo”.

110 This feature will be further demonstrated in the empirical part of the study.
111 Giving a micro perspective, the LEADER initiative started only in the 1990s but LAGs can be constituted at any time and apply for approval before the starting of a programming period. Therefore, medium-run evaluations are hard to deliver. Moreover, the “bottom-up” approach of the initiative shapes each programming period differently—consequently it is hard to set medium and long run benchmarks of evaluation.
112 Performance is considered more generally as to include efficiency and effectiveness over the short and medium run.
113 Can the public debt crisis that is now hindering Italy’s (and the EU’s) economy be solved and maybe explained by the fund allocation over the past decades to the Mezzogiorno?
The interviews provide for the first group of data being analyzed. In August of 2011, two out of the three employees of the administrative body of the LAG were interviewed. The choice for these two employees results from two facts: 1) the administrative body deals with the applications by potential beneficiaries. Therefore, they are the ones directly connected to key stakeholders and also directly involved in setting the LDP; 2) interviewing other personnel of the LAG or the partners sitting on the Board was much more difficult as many lacked the time and had little to no experience in bureaucratic matters concerning the daily administrative functioning of the LAG.

From the interviews and the LDP, different aspects of the administrative capacity of the LAG have emerged. Drawing from Milio (2007), the “Weberian State” hypothesis, and the previously mentioned features for quality governance, these results are summarized in the following tables. More specifically, the level of professionalization, institutional and organizational capacity, managerial capacity and cultural and normative capacity are investigated.

Table 9: Summary of quality governance features & aspects of administrative capacity.

<table>
<thead>
<tr>
<th>Components</th>
<th>Indicators</th>
<th>Benchmarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) Recruitment process and professionalization level</td>
<td>a) education level</td>
<td>-&gt; degree, past experiences;</td>
</tr>
<tr>
<td></td>
<td>b) hiring process</td>
<td>-&gt; based on education + examination;</td>
</tr>
<tr>
<td>2) Career advancements and incentives</td>
<td>a) rewards and incentives</td>
<td>-&gt; salary, possibility of changing role;</td>
</tr>
<tr>
<td></td>
<td>b) predictable career ladder</td>
<td>-&gt; possibility of advancements.</td>
</tr>
</tbody>
</table>

The Weberian hypotheses here have been adjusted to include other features influencing the administrative capacity of the LAG. Using a score range of 1 to 4 with 1 being poor and 4 being advanced, the results can be summarized as follows:

1) The score of the overall education level of the interviewee is 3.

<table>
<thead>
<tr>
<th>Interviewee 1</th>
<th>Degree in Economics, no past experiences; no ad hoc training course upon employment</th>
<th>Total Score</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>3</td>
</tr>
</tbody>
</table>

Also the score assigned to the recruitment process is 3. The recruitment procedure is based on public examination and takes the educational level of the future employee into account as well. However, although being considered impartial and objective, the New Public Management paradigm stresses the importance of a recruitment process adopting the recruitment mechanisms present in the private sector. In fact, in a public examination, there is no assessment of the personality of the candidate.

2) The salary of the LAG’s employees is financed through Measure 413 of the 2007-2013 LDP and it is fixed for the whole programming period. Moreover, given the fact that the whole financial resources of the LAG are strictly dependent on the programming period and relative approval by the higher level authorities, the type of work contract is "temporary". For the same reasons, there are no mechanisms of reward and incentives and no possibility of changing role/position within one programming period. On the other hand, during the programming period, the employees are hardly removed from their positions and the amount of the interviewees’ salary is perceived by them as satisfactory. The overall score assigned here is 2.5.

The periodical nature of the LAG, anchored at the programming period and the consequent approval for its mere existence, imposes poor autonomy also with regard to career advancements. The positions required to execute the administrative tasks of the LAG are listed through Measure 413 of the LDP and, as previously mentioned, cannot be modified. Thus, there exists no possibility of career advancement. Moreover, after completion of the programming period, there is no certainty of being re-assigned to the position. However, high profile candidates, can apply and re-apply for higher level positions upon vacancy. The score assigned to the indicator “predictable career ladder” is 1.

Final score of component 2) is 1.75.

A second aspect emerging from the interviewees and integrated within the information provided in the LDP relates to the managerial and organizational capacities.

---

116 For instance, the recruitment procedure of the private sector assesses also the extent to which the personality of the candidate matches the particular position.
Milio (2007) provides exhaustive indicators with relative benchmarks on the administrative capacity of the Structural Funds in the Mezzogiorno. She identifies four key actions of administrative capacity that are strictly related to each other in a continuous loop, directly affecting outputs:

*Figure 14: The administrative capacity loop*

Management “entails the correct implementation of the entire program” (Milio, 2009:435) through coordination, cooperation within the organization and among the different levels of authorities. Programming is the multi-annual character of the Regional Policy that requires a series of best practices for the identification of priorities. Monitoring refers to the collection of data, the examination of resources for an improved tackling of problems that can emerge during the execution of the interventions. Evaluation is relevant for the Commission for reasons of accountability, but at the same time, the organization itself can benefit from evaluating the results of their work. It comprises ex ante, in itinere and ex post evaluation.

The table below is the authors’ re-elaboration of Milios’ four key components with their indicators and relative benchmarks/scores.

*Table 10: The four key components of administrative capacity.*

<table>
<thead>
<tr>
<th>Key components</th>
<th>Indicators</th>
<th>Absent Score: 1</th>
<th>Starting Score: 2</th>
<th>Developing Score: 3</th>
<th>Consolidated Score: 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Management</td>
<td>a) Clarity in the definition of role</td>
<td>Unclear and changeable roles and responsibilities</td>
<td>Vaguely defined</td>
<td>Staff roles and responsibilities are defined</td>
<td>Role among personnel is well defined</td>
</tr>
</tbody>
</table>
b) Coordination and cooperation among departments

<table>
<thead>
<tr>
<th>b) Coordination and cooperation among departments</th>
<th>Poor intra-staff and intra-department communication</th>
<th>Modest</th>
<th>Formal and informal channels of communication are utilized</th>
<th>Organization periodically reviews the communication flow</th>
</tr>
</thead>
</table>

| c) Cooperation with the regional authorities | Poor and badly perceived by the lower levels | Modest but still perceived as not well functioning | There is common commitment in cooperation but not fully established | Strong cooperation and collaboration |

2. Programming

<table>
<thead>
<tr>
<th>a) Program design: SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis</th>
<th>Absence</th>
<th>Introduction of a SWOT</th>
<th>SWOT supports the program although the interventions are not fully targeted</th>
<th>SWOT allows a full correspondence between the budget and territorial needs</th>
</tr>
</thead>
</table>

| b) “bottom-up” participatory approach to programming | Programs are fully planned, organized and decided internally | Only Public and private entities are involved | Stakeholders’ involvement is only upon participation at the organization’s meetings | The programming process is carried out with the involvement of all stakeholders |

3. Monitoring

| Introduction of a system of indicators and procedures responding to national/EU standards | No monitoring system | Indicators and procedures are not well functioning | Coherence with national/EU standards but not fully operating | Fully integrated |
4. Evaluation

<table>
<thead>
<tr>
<th>4. Evaluation</th>
<th>a) Production of the evaluation reports</th>
<th>No reports are produced</th>
<th>Only ex-post</th>
<th>One of three reports is still not produced</th>
<th>Ex-ante, in-itinere and ex-post reports are produced</th>
</tr>
</thead>
<tbody>
<tr>
<td>b) Integration of the evaluation method and culture in the system</td>
<td>Evaluation method is not considered useful</td>
<td>Important but too difficult to be performed</td>
<td>Not fully</td>
<td>Evaluation is considered fundamental and fully performed</td>
<td></td>
</tr>
</tbody>
</table>

The results of 1) Management are taken solely from the response to the interviews and show that:

- One interviewee is more optimistic than the other and has assigned slightly higher scores to a-b-c. However, the overall response is quite homogenous between the two interviewees and the final average score is **2.5**.

In point 2) Programming, the data has been provided by both the interviews and the LDP. The overall result is **3**. In particular:

- There exists a SWOT analysis within the LDP which shows coherence with relative Actions and the NSP/RDP priorities. However, the actions do not target all possible stakeholders that could be affected from the interventions. More importantly, the local character of the LEADER initiative requires the “bottom-up” approach. On this regard, the LDP states that a cycle of 7 meetings has been organized by the LAG calling for the participation of the citizenship and private and public entities. The results of these meetings were addressed in 55 questionnaires that helped setting up the SWOT analysis and the overall final LDP. However, the participation at these conferences was on a voluntary basis, therefore many of the key stakeholders like potential and past beneficiaries (target group) were not involved.

3) The overall score assigned to the LAG’s monitoring practices is **3**:

- The monitoring information is provided through the manual of “management and control” issued by the same LAG in accordance with the new 2007-2013 monitoring regulations\(^{117}\). The employee in charge of monitoring control, one of the interviewees, has to provide the Monitoring authority at

\(^{117}\) As indicated in EC directive 1968/2005 Art. 79 and 80.
regional level with a series of indicators of financial performance filled out in the software SCF2007 on an annual and on a 3 months basis. However, even if a series of monitoring indicators is existent, it only serves the purpose of the regulation while not being integrated into the organization’s own goals.

Point 4) deserves closer attention.

- In a) “production of the evaluation reports”, the score assigned is 4. Even if recurring to external consultants, the LAG delivers all three reports of ex ante, in itinere and ex post evaluation. However, these reports are not integrated into the culture of the organization. The interviewees describe the evaluation procedures as a requirement imposed by the higher level authorities instead of a tool to improve the effectiveness of the organization’s objectives. The score attributed is 1.5 and the overall score for Evaluation equals 2.8.

The last source of data used for conducting this study come from questionnaires to beneficiaries. The sample comprises 28 beneficiary entities, private and public, that have received funding from the LAG in the last programming period 2000-2006; it is representative of the whole population of the beneficiaries financed totaling 63 entities. Public entities are 18% of the total, while the rest 82% are private companies. The means through which they have received the financing is mainly the participation in a public scrutiny.

The purpose of the questionnaire is to provide the perspective of one of the key stakeholder groups on the administrative capacity of the LAG.

All the respondents have met the LAG personnel more than once in order to be better informed about the application procedure for the financing. The 88% of them knew about the possibility of grant through the information campaigns diffused by the LAG and subsequently, attended the agency. The rest knew about the LAG’s financing opportunities through friends. More specifically, the most striking figures emerge from the following questions:

1) Do you think the LAG personnel is competent?

2) Do you think the LAG personnel has been exhaustive and helpful during the whole application procedure?

Using a Likert scale from 1 to 5 where 1 stands for "strongly disagree" and 5 stands for "strongly agree", the results show that for question 1) a vast majority (85%) agrees to the question (value 4) and even a higher percentage (95% of the respondents), said that the LAG personnel was exhaustive and helpful during the whole application process.
On the other hand, the average of the answers to question 3) “Was the amount of mandatory papers to be filled out in the application procedure obstructive?” was 3.5, using a scale from 1 to 5 where 1 stands for "perceived as non obstructive" and 5 stands for "totally obstructive". This figure shows that the procedures for applying to public funding are still perceived by the respondents as burdensome.

The questionnaire part contributes to the overall study since it addresses the evaluation component from a different perspective. A series of other questions has been submitted to the beneficiaries and afterwards delivered to the administrative body of the LAG in order to provide them with new information that they can value as useful. In fact, the absence of a culture of evaluation embedded in the organization, as demonstrated in Table 10, is one of the most important features emerging from this study.

<table>
<thead>
<tr>
<th>Table 11: Summary of Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final Scores</td>
</tr>
<tr>
<td>Table 9</td>
</tr>
<tr>
<td>Table 10</td>
</tr>
</tbody>
</table>

3.4. Results and Discussions.

In the introduction to the empirical section, the question “Can administrative capacity influence the performance of the LAG Terre del Primitivo?” was addressed to the reader. Firstly, the study has been carried out to assess the administrative capacity of the LAG at issue through the comparison with the standard administrative capacity literature.

As it has already been stressed in previous chapters, there are some features like the Weberian State hypotheses and the NPM (New Public Management) practices that have proven to be effective in generating positive outcomes. These outcomes, intended and unintended, would result in higher motivation to perform duties, lower attractiveness to corruption and increased competence.

The LAG “Terre del Primitivo” has incorporated most of the best practices generating positive outcomes but only at a low developmental level. From Table 9 section, one can infer that old practices, non conforming to the NPM, are present. Especially in the poor prospects of career advancement and in the absence of incentive rewards mechanisms, the overall picture is stagnant and does not allow for much dynamism and flexibility. Consequently, the motivation and commitment to work is negatively affected.
The results emerging from Table 10 are more positive. The LAG “Terre del Primitivo” has adopted many important capacity building practices as envisaged by the Commission and in the Tavistock Guide. However, some important aspects are worth being stressed:

- there is poor awareness of the importance of capacity building mechanisms;
- there is no common set of norms internal to the organization and able to create a proper culture within;
- there are problems between the involved agents that can be attributed to multi-level governance.

Evaluation reports and a fully integrated SWOT analysis are important features for the well-functioning of an organization. The NPM paradigm and the higher attention given to accountability drive this process of capacity building in the public sector. However, the LAG “Terre del Primitivo” is yet not fully aware of the benefits deriving from these practices. In fact, there are no internal objective plans, no common goals that are agreed upon independently from the requirements imposed from above.

The interviews have highlighted the “compulsory” character of some norms. The monitoring indicators and evaluation reports are only a small portion of the big set of norms that are still perceived as imposed from the higher level authorities. Indeed, they are to be internally integrated for the installment of a proper culture. The personnel interviewed still perceives himself as a “public servant” and not as “manager”, performing daily duties without being motivated by the environment of the organization. Viesti (2010:127) emphasizes how this aspect strongly affects the quality of programming and consequent results. Moreover, there is poor coordination with the region and disagreement over the regional plans for development and relative socio-economic diagnosis of the region does occur. This aspect should be investigated at the regional level and further research is left to the reader. Nevertheless, it can be asserted that these problems arise from the application of the decentralization mechanisms started after the 1988 Reform and envisaged in multi-level governance: the regions are now empowered with tasks they are still learning how to perform. With regard to this, Milio (2010) stresses the fact that, starting from the 1990s, Italy has begun a process of decentralization and devolution that is still ongoing. Italian regions have been suddenly endowed with the administration of their own financial resources and more autonomy to pursue their own regional development plans. Yet, many regions have not fully incorporated the new practices responding to the multi-level governance.

\[118\] “Riforma Bassanini” and Revision to the Italian Constitution (to Art.117) on the separation between State and Regions on competences of Public Policy.
Another important indicator demonstrating the difficulties that the regions are encountering in the administration of the policy is the delay in the actualization of the programs. The interviewees have highlighted this problem and imputed it to the regional authorities. For the same reasons, they claimed also that the biggest percentage of the total allocation has been deployed in the last years of the programming period. This is a common aspect that can be found in the other regions of the Mezzogiorno as well. During the cycle 2000-2006, the average difference in expenditure at the end of the year between the Mezzogiorno and the other EU-15 regions was 3.4% (Viesti, 2010). These delays can easily be associated with administrative capacity obstacles encountered by the regions. Through the questionnaires, it is possible to give more weight to the local character of the initiative. In fact, beneficiaries strongly rely on the funding possibilities of the LAG and they rely on a close contact with the LAG’s personnel. On the other hand, the application procedure is still considered obstructive. This aspect colludes with the innovative, “bottom-up” and local character of the LEADER initiative, which, contrary to reality, should ease the access to funding to the rural community. What is important is the concatenated nature of the above studied facts: low levels of professionalization along with low prospects of career advancements and poor incentives mechanisms cause low quality in management. Low levels of coordination and cooperation both horizontally and vertically, inevitably generate low levels of programming. The absence of a dynamic, proactive and participatory culture along with few embedded practices in monitoring and evaluation does not allow for the identification of problems and points of improvement of the previous phases. Finally, these factors affect the results of a program (outputs) which generate low quality outcomes in turn (Milio, 2010). Thus, the causality between administrative capacity and performance is straightforward. A plausible further linkage to these findings would be to address poor administrative capacity and therefore poor performance with the absorption capacity of the region. The absorption capacity is the ability by a country or region to spend its allocated resources within the required timeframe (EC, 1999:74). Figure 15 shows levels of Structural Funds (SF) expenditures in the Italian Objective I regions until 2004. The regions of Basilicata, Molise and Abruzzo have now phased-out and, as can be inferred from the data in the figure, they are the regions that present the highest percentage of resource expenditure. On the other hand, the region of Puglia is always present in the bottom lines of the chart for Structural Funds expenditures. Therefore, another line of causality can be drawn between poor administrative capacity and low levels of absorption capacity.

119 Data Applica, Ismeri and Wiiw (2010).
120 Always considered more broadly, including efficiency and effectiveness.
121 The rule n+2 is described in previous chapter and can be referred to this concept.
Low levels of absorption capacity de facto preclude regions from benefitting from the funds and can in principle explain the low levels of growth of the Mezzogiorno. However, evidence from this study highlights the fact that other factors may influence the final outcomes of a program. More specifically, although the LAG at issue carefully presents a series of benchmarks to be achieved through the implementation of its measures, they do not necessarily translate into sustainable economic growth for the area.

The purpose of this study is not to assess whether the LAG’s actions generate economic growth, nor to advocate the LDP and relative interventions. The findings of this study focus on the importance of a well-functioning administrative apparatus that allows the LAG to better manage, program, monitor and evaluate its objectives of delivering economic development.

These findings can find re-application in the numerous LAGs in Europe and can be particularly relevant for under-developed rural areas like Puglia. In fact, the establishment of best practices in administrative capacity should be of high importance especially to the contingent LAGs within the region for a better achievement of successful synergies. Moreover, the creation of a proper administrative culture instills innovation, dynamism, pro-activeness and reduces the inclination towards corruption and inertia.

In the questionnaires, the respondents have been invited to provide 3 reasons for the under-development of the Mezzogiorno among a choice of 10. 80% of them have indicated: “The low inclination of the population towards change” and “The obsolete Italian machine of bureaucracy”. These results emphasize the multiple difficulties encountered when dealing with the improvement of administrative capacity in these regions.
Conclusion

In 1972, the Assembly of the European Economic Community agreed on the establishment of a common fund aiming at reducing income disparities across the 9 Member States.

Nowadays, the European Union comprises 27 Member States and income disparities have inevitably increased. After 40 years, the only country that back in 1972 was already a beneficiary and still presents high levels of infra-state regional disparities is Italy. Throughout the years, Europe has enlarged its frontiers and at the same time, devoted more and more attention to regional policy. The Cohesion Fund today is the first source of spending for the EU and amounts to 347 billion Euro.

Following this huge increase in the allocation of resources and the new trends in public management and accountability, Member States have pushed for stressing the role of evaluation in Regional Policy.

This study contributes to the socio-economic literature in different ways.

Firstly, it presents the main characteristics underlying Regional Policy, its modifications throughout the decades and relative economic studies attesting its validity.

The new Regional Policy envisaged in the Reform of 1988 tried to address the problem of regional inequalities in an innovative way. Batchler (1995) explains that, differently from before, now Regional Policy favors supply-side initiatives, it boosts bottom-up local development activities, it targets both efficiency and effectiveness and it makes increased use of evaluation techniques.

On the other hand, the 1988 Reform has put a greater emphasis on the decentralization process, delegating regions and sub-level authorities to the programming of their plans, thus de facto increasing their tasks, responsibility and autonomy. This trend in the decision-making mechanisms has been depicted by scholars as multi-level governance (Marks and Hooghe, 1996).

Consequently, this new approach to regional development has influenced the adoption of new policy evaluation techniques. Part I of this study aims also at providing the reader with a comprehensive overview of the different techniques to assessing the validity of Regional Policy in the EU. The multitude of studies and findings on the issue does not always reflect the results propelling the European Union to proceed with the implementation of such policies.
Therefore, the European Commission is still searching for other approaches to regional development capable of equalizing the levels of regional disparity in the Community.

In 1991, the European Commission created a new Initiative within the Structural Funds, with the aim of tackling the regional disparities from a different perspective.

The LEADER initiative is addressed at the rural areas of the EU, now accounting for 90% of the whole territory\(^{122}\). This initiative incorporates all the innovations presented in the 1988 Reform and at the same time, acts within the multi-level governance apparatus. Regions can now carry out their own diagnosis and set their own plans for rural development. For the Mezzogiorno d’Italia, mainly rural and still affected by strong migration outflows, the LEADER initiative can be very significant.

In Part II, a proposal to fill the gap in current literature on the LEADER initiative and on administrative capacity is presented.

Administrative capacity follows the new wave of modernization of public administration\(^{123}\) (Hughes, 1994) and responds to the greater emphasis put by governments and citizens on accountability. Also, it reflects the new endogenous growth theories which include technological and social factors as important drivers of economic development (Anghion and Hawitt, 1998; Pack, 1994).

Several scholars have recently stressed the importance of evaluating new Regional Policies with approaches that differ from the traditional macro-economic, value-for-money studies generally adopted by economists (Diez, Pawson and Tilley). These new approaches focus on the local, contextualized and flexible nature of the new policies. Viesti (2010) highlights how relevant regional and local differences are in the success of Regional Policy. Moreover, for a better fit and implementation of Regional Policy, it is important that the public bodies perform their task and duties well thus creating the suitable context (Banca d’Italia, 2010).

A lot has been said about the causes of under-development of the Mezzogiorno d’Italia. Some have attributed it to historical facts, others to past national policies. Others to the corrupted character of the Italian administrations (Felice, 2007; Barca and Trento, 1997).

The empirical and last section of this study builds on the previous ones to investigate the administrative capacity of a Local Action Group\(^{124}\) implementing the LEADER initiative in the Mezzogiorno region of Puglia.

---

\(^{122}\) In the EU-27.
\(^{123}\) The NPM, New Public Management, see page 38
\(^{124}\) LAG, the local level authority implementing the initiative at its ultimate level.
The methodology is the one of the case study. The latter has been chosen because it perfectly fits the local, bottom-up and unique character of the Initiative.

From the empirical analysis, some general conclusions can be drawn.

1. Administrative capacity is an important component for the well functioning of a development agency. Poor administrative capacity leads to lower performance, lower outcomes and poor improvements. This can be testified by the lower absorption capacity of the region at issue. In fact, the region of Puglia does not show the full exploitation of the Regional Funds allocated through the past programming periods.

2. Administrative capacity is strictly related to the mechanisms established by multi-level governance. Yet, some regional and local authorities lack the required adjustment to this model of governance. In the case of Italy, the multi-level governance has only started in the 1990s and each region has reacted differently to the incorporation of the process. Problems of coordination and cooperation between higher and lower-level authorities are still present in the region of Puglia.

3. Although higher emphasis has been put on the implementation of capacity building mechanisms by the EC, there is still poor awareness of it by local agencies. Most of the practices (like monitoring and evaluation) that the EC is trying to implement in its Regional Policy guidelines and Objectives are not fully perceived by the sub-level administrations. In fact, the LAG "Terre Del Primitivo" still perceives them as "imposed" requirements from above while instead they should be current norm and embedded in the organizations’ administrative culture.

It is hard to assess the long-term outcomes of development policies and it is hard to define strict cause-effect relations between interventions and outputs. The socio-economic literature has so far attempted to provide solution to the regional disparities in the EU without collectively agreeing on one best way of policy making.

What can be affirmed from this study is that Regional Policies respond to the societal, political and economic trends in which they are implemented. On the other hand, Regional Policy has now come to the evidence that mere fund injections do not necessarily translate into economic growth. National, regional and local characteristics make up for the success of interventions.

Member States should acknowledge this fact and provide supra-national and sub-national authorities with the best means and the right environment for the best implementation of Regional Policy and economic growth in Europe.
Bibliography


Bache, I. (2008); The Politics of European Union Regional Policy, Multi-Level Governance or Flexible Gatekeeping?; Sheffield Academic Press.

Bachtler, J. and R. Michie (1995); A New Era in EU Regional Policy Evaluation? The Appraisal of the Structural Funds; Regional Studies 29(8); pp. 745-752.


Batterbury, S. (2006); Principles and purposes of European Union Cohesion Policy Evaluation; Regional Studies, Vol. 40, No. 2, pp. 179-188.


Cooper, T. L. (1998); The Responsible administrator: An approach to Ethics for the Administrative Role; San Francisco, Jossey-Bass.


Diez, M.-A. (2007); New Approaches to Evaluating Regional Policy.

Felice E. (2007); Divari regionali e intervento pubblico; Il Mulino, Bologna.


Jeffrey, C. (1996); Regional information offices in Brussels and Multi-Level Governance in the EU: a UK-German comparison; EU Working Paper EUI No. 95/2.


Lindblom, C. E. (2001); The Market System: What it is, How it works, and What to make of it; New Haven, CT, Yale University Press.


Marks, G. and Hooghe, L. (2011); Multi-Level Governance and European Integration; Rowman & Littlefield, June 2011.


Organizational Research Services for Annie E. Casey Foundation (2004); Theory of Change: A Practical Tool for Action, Results and Learning; access from www.google.it.


Paquet, G. (1999); Governance through Social Learning; Ottawa, Ontario: University of Ottawa Press.


Perroux, F. (1950); Economic space: Theory and applications; Quarterly Journal of Economics, Vol. 64, pp. 89-104.


Pollack, M.A. (2003); The Engines of European Integration; Oxford, Oxford University Press.


Varga, J. (2009); A Model-based Analysis of the Impact of Cohesion Policy Expenditure 2000-06: Simulations with the QUEST III endogenous R&D model; European Economy Economic Papers, no. 387

Viesti, G. (2010); Italian Regional Policies in the last twenty years and their results; Journal of Industrial and Business Economics; Vol. 38 (4), pp. 95-137.


Weick, K. E., and K. M. Sutcliffe (2001); Managing the Unexpected; San Francisco, Jossey-Bass.


Zanardi, A. et al. (2010); Regional Redistribution and Risk Sharing in Italy: The Role of Different Tiers of Government; Regional Studies, Taylor and Francis Journals, Vol. 44 (1), pp. 55-69.
Appendix 1

Relative GDP (in PPP) of EU-27 Regions.

Appendix 2

Breakdown of Regional Policy allocations through the years.

The four charts show how the share of expenditure under Structural and Cohesion Funds has changed over the four budget periods since 1989. Please note that due to changes in the definition of certain categories, not all of them are entirely comparable between the four periods. During the current period, about one quarter of the funds support research and innovation, another quarter goes to employment and social inclusion, while just above 20% are earmarked for transport infrastructure and 15% for environmental projects.

Source: Inferegio panorama, no.26 June 2008.

Appendix 3

The geographical area of the LAG “Terre del Primitivo”.