

Cohesion Policy and Territorial Restructuring in the Member States (*)

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Introduction

The ratification in 1987 of the Single European Act (SEA) was a momentous event in the evolution of the European Community (EC), now the European Union (EU). It made official the adoption of a policy designed to expand the scope of the EC functions, change the balance of power among its institutions and democratize decision-making as a result, and ultimately accelerate the pace toward economic and political integration. Yet, at a closer analysis the SEA was much more than a great step forward on the road to integration. It also substantially changed the *nature* of the process of integration by formally building into it the goal of social and economic cohesion (Article 130a-130e). The market driven evolution envisioned by the 1957 Rome Treaties, according to which cohesion was little more than a hoped for outcome of integration, was thus to be reined in and guided by deliberate policies to achieve that newly defined goal.

Cohesion, or the reduction in regional disparities, though at first cloaked as an economic goal, is rather a most distinctive feature of the movement which the EC is making toward political integration. The political significance of the mandate to pursue social and economic cohesion has to be contemplated in relation to steps which have already been taken to begin to implement the goal of cohesion, such as the 1988 reform of the Structural Funds, and in 1993 the ratification of the Maastricht Treaty and the successful negotiation of both the Cohesion Fund and the doubling of the Structural Funds budget. Indeed, decreasing territorial inequities within the European society at large is anything but a value free pursuit, and therefore it is a thoroughly political goal which is to be entrusted to a plurality of actors and backed by a multiplicity of resources in order to be fulfilled. That the current conceptualization of the Structural Funds embodies this political goal is the underlining thesis of this chapter. We will see how.

Looking back over the last six years, our inquiry begins by addressing two broad questions of interest: *who* are the main institutional actors in the development and implementation of the Community's cohesion policy and *how* is such a policy being shaped, in terms of both process and outputs. In answering the two questions, this inquiry interprets the ongoing trends of institutional and economic decentralization down to the regional level as well as vertical and horizontal coordination of decision-making regarding development planning which is centered more and more on the regions, all of which trends are detectable in the EU member states, albeit not equally present therein.

The paper first underlines the relationship between cohesion policy and regional development and defines the three-dimensional nature of the concept of development. It moves on to discuss how the regional level is being increasingly recognized as the appropriate level for development planning, in particular where development needs are very broad based. Finally, drawing among others from original evaluation work completed by the author (Nanetti, 1992) of the implementation of the Community Support Framework (CSF) plans in member states with Objective 1 (underdeveloped) regions, the paper profiles the accomplishments and the difficulties encountered by regional institutions in Europe in getting established

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and carving out their role as development planners, in the context of the goal of creating greater social and economic cohesion.

Cohesion Policy and Regional Development

At the core of the EU's cohesion policy is the concept of regional development. Within the Union there are many regions which have reached high levels of development and others which are ostensibly and unacceptably behind. The gap between the two groups is what a cohesion policy aims at reducing, if not ultimately closing. The centrality of the cohesion objective and policy to the political agenda of the Union has, therefore, brought regional development to the center stage as well. However, what is advocated is regional development not of any kind nor which is measured in absolute terms but rather of the kind which promotes the goal of increased internal cohesion. Presumably, regional development which, according to the 1980s metaphor, is «the tide which lifts all boats»¹ but in so doing maintains or increases disparities, would not be in compliance with the goal of cohesion. What would be in compliance is regional development which translates into relatively higher gains for the disadvantages regions of the Union without halting or reversing the growth of the more developed regions.²

It follows that choosing among development options and strategies is ever more important and that the process of development planning becomes instrumental to the policy of cohesion. But it also follows that the concept of regional development needs to be better understood so that the appropriate strategies can be considered, that is those which are congruent with the cohesion goal. While the literature on regional development is abundant and diverse, for a long time it has treated regional development by conceptualizing it mainly as an object or output to be measured. Witness, for example, the indicators and models developed by the field of regional econometrics, the investigative methods refined by regional scientists, or the hypotheses to test where development may occur which have been the realm of regional economists. Less attention has been spent on how to bring about regional development. Even when this is the emphasis, the work of most economic theorists has been on the manipulation of the traditional economic factors—including labor—to successfully ignite development.³

As long as regional development has been an object/output to measure and predict it has remained the purview of economists. Only in the last fifteen years or so there is indication in the literature that the question of *who* creates development has gained equal status in research with questions of where and how development occurs. The study of the subjects who promote regional development has helped change the notion of development and expand its definition to that of a multi-dimensional concept. Defining elements of development include local cultural attitudes and values, the strength and nature of family and community institutions, the ways and means of sharing and transmitting learned know-how, the scope and functioning capacity of public institutions and their ability to recognize and build on unique local resources. Regional development is therefore conditioned and determined mainly by the behavior of locally based public and private actors. Accordingly, regional development is an outcome which is as varied as the myriad of radically different territorial contexts where local subjects operate.

Regions as Development Planners

Among the territorially based actors whose behavior determines the rate and nature of development, the last twenty years have seen the emergence throughout the EU of regional governmental institutions and of growing ranks of small and medium size entrepreneurs.⁴ Regionalization has taken place in many states and has created a demand for itself. It is not a coincidence that regionalization occurred in EU member states

¹ While this metaphor is derived from the language and imagery which was used by the Reagan Administration in the United States, it came to signify a market driven view of the economy commonly accepted in Europe as well.

² The path to greater cohesion which relies on the faster growth of the periphery of the EU is conceptualized by the «peripheral ascendancy» theory of development. See Robert Leonardi (1993). The theory has begun to be empirically and successfully tested. See Robert Leonardi (1993).

³ For a recent review of theories of convergence and divergence see Robert Leonardi (1993).

at a time when the Fordist model of industrial production and enterprise organization was coming under pressure and was contracting, and when the state promoted large-scale model of intervention in the economy of underdeveloped areas was under attack because of poor results.

Elected regional institutions were created in Italy in 1970, completing a reform which had begun after the war. Belgium also adopted a regional governmental structure in 1970, while Spain followed in 1977 and France in 1982. The functions of regional institutions, while varying from member state to member state and at times even across regions, have expanded to cover most sectors in development planning. In Italy, regions have primary legislative responsibility for agriculture, tourism, health, urban and territorial planning, vocational education and more, and they are to acquire limited fiscal autonomy.⁵ In Spain they cover similar policy areas, that is urban planning, housing, public works, environment, in addition to social services, culture and economic policy (Morata, 1992). Belgium's regions have also extensive development planning functions, (Senelle, 1993) as, of course, do the German *länder* (Smith, 1993). In fact, of the EU member states with regional institutions only France has limited the development functions of her regions (Balme and Jouve, 1993). Parallel to the development of regional institutions, during the last twenty years throughout the EU there has been an accentuated growth in the diversity of small and medium size enterprises. Their presence (Commission of the European Communities, 1990) was estimated to account for 9% (small and medium) and 90% (micro) of all firms and for 45% (small and medium) and 27% (micro) of employment.

The trend at increased regionalization owes less to any particular ideological swing and more to the pragmatic approach of how best to accommodate, through concerted involvement, all of the principal economic and social actors⁶ as member states' economies underwent structural changes which increased their service sector and altered greatly their industrial sector.⁷ Regions are best suited for this task because: 1) their geographical size allows them to operate at the area-wide level and make use of its multiple resources;⁸ 2) they have or can achieve a critical mass of administrative and technical expertise, which combines their staff and outside inputs; 3) regions enjoy relative financial autonomy and control over their own resources as well as greater discretion in the use of transfer payments from the state; 4) they exercise political autonomy vis a vis the state and local government in legislating in the matters where they have primary responsibility; 5) and, therefore, regions can define intersectorial policies to serve a broad range of economic and social interests which are territorially based but functionally interconnected.

⁴ Similar occurrences have been observed in the federal system of the USA. The 1970s saw the take off of state planning in the area of economic development. That happened first in the states of the northeast and midwest experiencing de-industrialization, followed by those in the south and southwest which were recipients of relocated industries. In the 1980s local governments began to devote greater attention to issues of economic development. Yet, a distinct difference separates the US and the EU. The US model of institutional involvement in the promotion of development is based on fierce competition among states and localities to attract new investments and lure away existing business from others. Also, in the US the role of institutions is limited to the packaging of mostly financial incentives to attract new and existing business, often on a case by case basis.

⁵ Through delegated powers regions are expanding into new areas such as the environment and small and medium size enterprises. The result of the referenda of April 1993 which abolished the ministries of Agriculture, Tourism, and State Enterprises is to accentuate the policy-making autonomy of regions in these areas. Moreover, the recent collapse of the traditional party system centered on the national level, and the emergence of new regionally oriented coalitions have pushed the demand for limited regional fiscal autonomy within the realm of political possibilities.

⁶ Once again, as the oldest one, the Italian case of regionalization of a unitary member state is instructive and significant. Longitudinal studies of its evolution show that the politically ambitious goals of reforming national politics and the central state apparatus, which had been attributed to the regional institutions at their inception, a decade later had been supplanted by the mandate to be prompt and effective decision-makers, as the regions deepened their roots into the social and economic fabric of their civil society. (Putnam, Leonardi, Nanetti, 1985 and 1993)

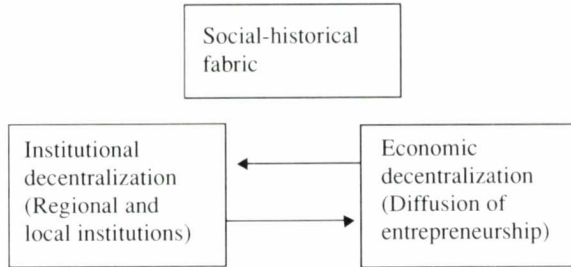
⁷ More recently, since the mid 1980s, another general trend has affected regionalization. It is the fiscal crisis of national governments which have been faced with increasing social demands. There has been a dual impact on regions: attempts by national governments at re-centralization of functions and, more recently, sharing budget deficit burden by partially shifting taxation responsibilities to the regions. Spain has moved first while Italy may soon follow.

⁸ The issue of the «optimal» dimension of regions as political institutions is *passé*. There exists empirical evidence to show both that political regions need not be large in population to be functional and effective and that being large is not necessarily a precondition for or guarantee of institutional performance. When a political region incorporates more than one geo-economic region (as usually is the case) or wide-area, the mandate is to promote development throughout all of its local government jurisdictions.

It is at the intermediate level, that of the region, that development policy can be best tuned to obtain the strongest congruence with the particular nature of local resources and the best fit with the modus operandi of local entrepreneurs and governments. Development is the result of the capacity to leverage an area's unique physical and cultural resources. Conceptually, such a model of the local roots of development and the contribution of regional institutions to it can be represented as in Figure 1. Within the

FIGURE 1

MODEL OF THE LOCAL ROOTS OF DEVELOPMENT



social and historical profile of an area, the model posits a correlation between the existence of functioning regional institutions and of diffused forms of entrepreneurship, the combination of which produces higher levels of development *in loco*. Moreover, the strength of the relationship increases over time and the two processes of decentralization—institutional and economic—are mutually reinforcing. In a real sense, development is fostered by decentralized (regional and local) institutions and entrepreneurs. Since the model was first presented (Nanetti, 1988:pp. 3-6) there has been a considerable amount of research on the relationships between institutional and economic factors in determining development (Garmise, 1994; Bellini et al., 1991; Leonardi and Nanetti, 1990; Trigilia, 1989; European Parliament, 1993). The mandate is for regions to be development planners.

How can the role of development planner be articulated for regional institutions? What are regions attempting to do in response to demands that they be the principal institutional partners in development planning? A conceptualization of the role of the regions by expanding on and adapting a model which was first developed by the author before the turn of events of the last six years in the European Union (Nanetti, 1987). Today there are ten roles that regions play as development planners. Five relate to the interplay between the region and groups or institutions that lie within its own boundaries. The model identifies these as «intra-regional» roles. The other five define the region's initiatives outside its own boundaries and they are termed «extra-regional.» Extra-regional roles include not only what a region does within the boundaries of its own nation state (inter-regional) and vis-a-vis the Union, but also the actions which a region ever more often develops with regions in other member states (trans-regional). What follows is a brief definition of the roles of regions as development planners.

Intra-regional roles:

Facilitator. The region acts as a mediator between competing groups and localities. It seeks consensus and facilitates the aggregation of diverse interests. It pursues an inclusive strategy of participation for development of the region as a whole.

Stimulator. The region acts to promote social and economic activities through its analysis of the regional economy, identification of development objectives, and the preparation and implementation of multi-year development programs.

Experimenter. In this role the region is cast as supporter of innovative economic enterprises and identifier

of new resources and activities. Specific tasks include the sponsorship of demonstration projects, the development of financing techniques, and the definition of new professional profiles.

Provider. The region promotes users and consumers protection services and advanced technical services to production. The region may sponsor industrial cooperative associations, create service centers, rationalize and consolidate public service districts, contract out technical assistance to local government, and protect and help market quality products.

Monitor. The region becomes responsible for the systematic assessment of the impacts of its actions, particularly as experimenter and provider. To do so the region technically upgrades its staff and refines its methods of research and work.

Extra-regional roles:

Coordinator. The region works in partnership with other regional governments to secure inter-regional agreements on legislation addressing common or complementary problems, and/or to facilitate inter-regional projects undertaken by or with private groups.

Ombudsman. As ombudsman the region operates as the defender of the regional interest in dealing with multinational and other non-locally based large enterprises. It plans and secures new investments during a phase of conversion or modernization, develops on-the-job training programs, and concerns itself with the survival and well being of small and medium size firms.

Contributor. The region is involved as an acknowledged participant in policy-making of the state and the EU which directly impacts on the region. The region's participation evolves into the submission of own proposals.

Translator. The region acts as the interpreter of state and EU policy and program initiatives to make them fit appropriately regional needs through its own legislation and program development. This political role is tied to the importance of ensuring the effectiveness of regional development planning.

Initiator. The region seeks out regions in other EU member states to build transregional alliances in support of common policy themes and networks for program implementation. It takes advantage of the increasing opportunity offered by the Single Market to overcome what used to be prerogatives of the nation state to undertake international policy moves outside of its borders.

The CSF and The Strategy of Region Specific Development

Who are, then, the main institutional actors of the Community's cohesion policy and how is such a policy being shaped and carried out? That is, through which process is cohesion being pursued, and yielding which outputs? We now turn to the answering of these questions of who and how. The Single European Act, by introducing the new title «Economic and Social Cohesion» in the original EC treaty, mandated the Community to pursue its own regionally targeted policies. The mandate of the SEA was further strengthened by the 1988 policy of reforming the Community's Structural Funds, which proceeded in the direction of concentrating greater resources in the disadvantaged regions, and by the adoption of the Community Support Framework (CSF) plans as the actual instrument to be used in the pursuit of the goal.

Broadly defined, the purpose of the CSF is to implement the goal of the restructuring of the Community's Funds. In terms of specifics, the CSF approach identifies an evolving planning process over the middle range, rather than an end product in the short term. Therefore, the essence of the CSF is an innovative approach to development planning which is:

- Multi-year, adopting a longitudinal time frame (1989-1993);
- Multi-sectoral, covering content in different policy areas;
- Multi-partners, involving a variety of actors;
- Multi-impact, seeking to achieve cumulative and synergy changes;
- Area-wide, focusing on the regional dimension for implementation.

When one examines closely the approach adopted by the CSF it is clear that it entails a multi-year planning process to be articulated in specific «measures,»⁹ jointly agreed upon by the Community, the member states, and the regions. Thus, the principal institutional actors are these three levels, with the regional one being the innovation brought about by the new approach. The definition of the regions for CSF purposes coincides, therefore, with the political regions of those member states which have created them and with the administrative planning districts of those member states which adopted them at the urging of the

Commission. The final, agreed upon version of the development plan for each country becomes the Community Support Framework, that is an official plan published by the Commission and detailing the financial commitments of each participating party. Each of the parties is legally bound to the commitment to which it pledged its support. The CSF are, then, articulated into multi-year operational programs (OPs) prepared by the regions and national governments. The approval of these implementation plans by the Commission renders operational the CSF and completes the preparation stage of the planning process.

The other important question is how the three institutional actors participate in the implementation of the OPs and their measures. To answer this question, a study was conducted half a way through (1991-92) the implementation of the first round of CSF plans. The CSF evaluation was carried out in five of the seven member states with Objective 1 regions: Greece, Ireland, Italy, Portugal, and Spain.¹⁰ Formal interviews were conducted in a sample of ten regions as well as in the national capitals, for a total of 54. Extensive documentary material was also collected to help in the overall assessment of the degree and quality of coordination in development planning that was achieved in the five states in conjunction with the effort to implement these plans in Objective 1 regions.

Of the five countries studied two have regional systems (Spain and Italy), two have recently created regional administrative planning districts (Greece and Portugal), while for Ireland it was recognized by Council Regulation 4253/88 that the whole country be the territorial basis of the regional plan for Ireland. It follows that for CSF purposes Ireland was considered as one region.¹¹ We shall now examine selected results from the evaluation study to exemplify how the regions and regional planning districts have played, or approximated to play, the ten development roles identified earlier. It will become clear that the divide is between the decentralized and the non-decentralized countries in terms of both how the process of implementation of the CSF was shaped as well as the kinds of outputs which were produced.

Facilitator

The CSF planning process afforded the regions the greatest opportunity to play this role during the phase of preparation of the OPs. However, the degree of involvement of the private sector varied widely across regions and countries. The smaller regional districts in the smaller countries reported a very limited involvement of the private sector, mainly because it is often small in size and loosely organized. In Greece and Portugal this translated into a limited number of and/or unrealistic proposals for development coming from local organizations and governments. On the other hand, the involvement by the private sector in some of the larger regions has also been problematic for different reasons. They include, pressure by well organized groups or individual entrepreneurs with long standing ties to political leaders who tried to highlight the importance of certain measures over others, or the expectations shared by many that OPs would gain them access to CSF resources in the form of subsidies.

Another opportunity to involve private players in development planning has been with the question of how to render representatives the Monitoring Committees, that is the bodies in charge of assessing the progress of OP implementation. In all but one (Portugal) of the countries, the Committees had broad interest representations. In Ireland, Monitoring Committees which were not regional but national in scope had been created for eight OPs. As in Greece, they were comprised of representatives of government departments (ministries) and of the relevant EC directorates, but unlike Greece they also included representatives of the

⁹ In the terminology used by the EC, «measure» refers to the specific actions the whole of which constitutes and operationalizes a development project. Measures are the implementation means and they are defined in terms of schedule, funding, and personnel.

¹⁰ Development planning in other types of regions—such as Objective 2 regions suffering from de-industrialization—was not studied. Given limits which the study had to adopt, it was felt that the investigation of the implementation of CSFs in Objective 1 regions best suited the study purpose because of the broad based development mandate and more complex responsibilities which political regions and regional planning districts are called to fulfill in comparison to other types of regions.

¹¹ Ireland has essentially a two-tier governmental structure of counties and county boroughs (cities) and strong central government. The seven regions of the CSF are planning districts with a purely review function to organize the national management of the program. The central government has a highly developed network of local offices through which it operates aspects of various programs, such as the field service of the Department of Agriculture.

European Investment Bank (EIB), of state implementation agencies, and of socio-economic groups. By merging regional advisory and working groups—which contributed to the preparation of the National Development Plan—into sub-regional Review Committees, Ireland added a regional district dimension to its CSF which was otherwise a national plan. The Review Committees had representation from all local governments above 50,000 in population, local government managers, representatives from the relevant government departments, and EC representative, and nine principal social-economic groups ranging from the Chambers of Commerce to the Irish Cooperative Organization Society.

A third avenue afforded to the regions to play a facilitator role has been through their impact assessment work which has highlighted the need in the future to better determine the involvement of the public at large and of its organizations. This concept of «citizen participation» was still quite nebulous in the minds of many OP operatives. A minimalist definition was that of an informed public. In fact a number of the Programs contained measures to sensitize the general public to the nature and prospect of OPs. The next step considered, but not implemented, was to provide a forum for formal consultation and advice in the preparation of proposals. The first round of CSFs fell short in this regard, while the process of formulation of OPs tended to include regional and national representatives of socio-economic organizations but not as many local community representatives.

Regarding the various OPs and sub-programs, the regional districts in Greece had been able to be more effective facilitators in the area of social planning which that country's CSF had allowed to be more decentralized, unlike the area of infrastructure planning. The sub-programs involving the Social Fund attributed to the regional districts increased responsibility for annual programming of vocational education, professional training and the management of that budget. OPs and sub-programs which were primarily focused on infrastructure planning and/or enterprise creation planning were relatively more successful in involving local private sector partners in Italy and Spain.

Stimulator.

The planning phase to develop the OPs in order to implement the CSF was regarded by an overwhelming majority of participants as an extremely valuable and new experience. The mandate to think in terms of integrated programs, to engage in analysis and projections of levels of needs over a five-year cycle, and relate them to the available resources, was universally praised in spite of sobering observations made about the limited ability of regional and local bureaucracies to plan according to this approach. Examples abounded of delays in the preparation of the OPs, both in larger and smaller regions, although additional reasons were found, including the slow process of getting OPs approved in Brussels.

Specifically, the new planning approach was talked about as something which regional planners were learning and were increasingly becoming familiar with. Lessons were learned from previous planning experience with EC integrated programs, as well as from administrative experience with the traditional sectorial projects. In Greece and Italy the Integrated Mediterranean Programs (IMPs) were reported to have been quite useful in that they taught how not to plan, that is on the basis of projections linked to the desire of achieving specific development targets which had not sufficiently been checked against the ability of bureaucracies, local governmental leaders, and the private sector to achieve.

Sicily is a case in point of how development planning through the CSF was enhancing the role of the region as stimulator of economic and social activities. In Sicily, assessors have resisted and do resist pressures to chip away at the prerogative of being in control of their respective policy areas and resources. Changes induced by the CSF had been resisted but they had also taken place. The Office of the President had acquired more than a nominal function of intersectorial coordination, and reporting procedures were being standardized. One could not fail but notice also an element of competition in professional achievement among planners working on different programs funded by the three Funds, an element which had to be considered a promising change.

Experimenter-Provider

A major challenge in underdeveloped regions is to unlock the potentials of unused and under-used resources. In the first round of OPs the dominant presence of the European Regional Development Fund (ERDF) sub-programs was readily discernable. In the three smaller countries the weight of the combined ERDF co-funded measures was overwhelming, reflecting the central governments' predisposition to continue through the CSF the funding of longstanding public infrastructure improvements and development proposals.

While infrastructure development needs are still objectively greater in these countries, it was also the centralization of OP management which stifled attempts at utilizing OPs to take some risks and engage in greater experimentation with programs. But OPs did bring onto the national agenda new needs as well. In Greece, for example, infrastructure improvements were targeted to the support of the tourism industry; in Ireland industry, including tourism as a top priority, absorbed one third of CSF resources.

Yet, across countries and regions there was a definite relationship between overall performance in OPs implementation and the novel vs traditional characteristics of sub-programs, measures and projects. The more innovative sub-programs (and their components) had greater difficulty in getting started and being carried out, while the more traditional ones—which at times were the continuation of actions pre-existing the CSF—had an easier time. Therefore, infrastructure sub-programs were more rapidly developed and more consistently implemented within the set time frame and, understandably, they absorbed most of the resources because ERDF remained the largest contributor of these Funds. There were numerous examples of the different kinds of obstacles encountered by innovative sub-programs. In Greece's Central Macedonia the sub-program on small and medium size enterprises had to find a legislative formula to overcome the existing national legislation according to which EC contributions could only be used by public sector agencies and not by associations of private entrepreneurs.

A clear cut case of centralization detracting from experimentation was found in Ireland. A common view from the localities held that there was much more innovation around that was acknowledged by the CSF, but that it was constrained by the country's centralized system. The economic argument in favor of more decentralized decision making was one which was made very strongly over that of greater democracy by supporters of regional decentralization in Ireland.

In all of the regions studied, strong support was found for the Community's planned approach to development to continue to be an incentive to regions to refocus their overall budget and to experiment. Moreover, the characteristic of innovativeness in programming for development which the Community promoted was highlighted as regions were interacting more with the Community. This characteristic in part balanced the tendency of the national level to privilege continuity in priority setting and program content.

Monitor

The CSF mandates both ex-ante projections of the significance of OPs for the local economy as well as ex-post measuring of the actual impacts of the implementation of the OPs. The first round of CSF plans saw the debate among the participants concentrated on the ways in which impact assessment was going to be conducted. The time pressure to develop the plan proposals had, in fact, limited the work on ex-ante projections. Right from the beginning there was wide spread dissatisfaction with the emphasis on quantitative indicators required by the EC, in particular when assessment related to training and other Social Fund supported activities. Discussions of the range of indicators and underlining criteria inclusive of qualitative assessments to be used in monitoring of the OPs were underway everywhere. In some instances this produced the adoption of monitoring standards which were believed to be stricter than those mandated by the EC. There was the case of the Valencia region whose site visits and qualitative evaluation were part of the procedures adopted by the coordinating Dirección General de Economía. A source of concern was the absolute priority given to the single indicator «absorption rate.» While it was recognized that ultimately the capacity to spend the funds was what determined the success of a Program, it was pointed out that the almost exclusive attention paid to it distracted from analyzing the reasons, institutional and otherwise, which might keep the quality of the Programs low.

There were major differences across countries and regions in terms of the availability, up-to-dateness, and completeness of secondary data sources. The worst situation was reported in Portugal and Greece, but almost in every region gaps in data were underscored, specially in terms of social and occupational data at the local level. It was felt that this issue had to be addressed up front by the EC and the member states if development programs, within and outside of the CSFs, were to be sustained on the basis of needs and their impact evaluated.

While using the indicators agreed upon with the EC, development planners in all countries were calling for changes in the future systems of monitoring CSFs—that is, the need to acquire and incorporate qualitative methods in the evaluation of OPs. Many argued that any comprehensive monitoring system should focus also on the evaluation of the quality of regional and local government institutions and, therefore, of their

capacity to function as promoters of development. This type of information would shed light on performance or lack thereof and contribute insights into the causes of relative successes and failures.

Furthermore, qualitative indicators for evaluation of the Programs themselves would refine the concept of performance beyond notions of program outputs to notions of program outcomes, that is real quality of life improvements. For example, a vocational education program may only employ a percentage of trainees in permanent jobs. However, to the extent that many others may find part time employment and secure additional education to make other moves into the job market, the performance of the Program should be assessed differently.

But, the role of monitor of the OPs highlighted another issue within regional governments. Impact assessment systems needed qualified people in addition to methods, machines and software. In the countries investigated there was a personnel problem, which at times was very serious. In some instances it was internal shortages, forcing the systematic reliance on large numbers of external consultants; in others the market lacked people with specialized skills; in others yet it was the exclusion by politicians of technocrats either from internal decision-making and/or from consultations with the EC to explain OP implementation. The different aspects of the personnel problems suggested different remedies some of which were incorporated in a variety of implementation sub-programs of the OPs.

Coordinator

Half a way through the implementation of the CSFs, only limited evidence was uncovered of regions within one country playing the role of coordinator, either with regard to common or complementary projects developed by OPs or to other modes of interregional cooperation. Yet, there was a strong interest in the subject. Again it mattered whether one was investigating regional exchanges among regional planning districts or regions. Regional districts were not expected to attempt to create formal linkages with others. In Ireland, official linkages were only vertical ones with the Departments and not horizontal ones among the local actors. Similarly, in Greece certain networks existed which were created by the Ministry of the Interior, but they actually linked together the prefectures rather than the regional planning districts. In Portugal, the Ministry of Planning and Territorial Administration retained as one of its functions the distribution of information across regional districts. In an informal manner, however, exchanges among regional districts were common place, constrained only by budgetary realities when travel was involved.

Autonomous regions in Italy and Spain in charge of their regional OPs operated freely with regard to each other. In terms of informal work contacts among Program operatives, they occurred frequently. In Italy they occurred also as a follow-up to the participation of regional planners in regularly scheduled national meetings of Assessors from various departments (*Gruppo di Lavoro*) in the national Conference of Regional Presidents, and numerous other meetings and workshops organized by different regions during a year. While most of these were not CSF meetings, they nonetheless provided frequent opportunities for CSF implementors to meet face to face. There were also CSF meetings called by the Ministry, a fact which had begun to spark suggestions that Objective 1 regions in Italy should come together more formally and forge political ties to speak with a louder voice. In Spain, there was evidence of appreciable inter-regional cooperation, particularly with neighboring regions and involving Social Fund related activities.

Ombudsman

More than others this is a role that can be played effectively only by fully empowered regional institutions while regional planning districts are at a great disadvantage. Limitations notwithstanding one found some evidence of ombudsman-like behavior in the regional districts of the smaller countries, particularly in Greece. There, the window of opportunity was afforded to the districts by the greater lack of clarity in the definitions of functions between themselves and the national level. On one hand this caused more conflict, but on the other it also allowed for all kinds of informal role playing by the region's political head, the Regional Secretary, in spite of the constraints on his work. It was not unusual to find that he operated as ombudsman for the region, not just in what he advocated in Athens but also in the many ways he exercised his political influence around the ministries to help his region and with the prefectures to articulate a regional view of development choices.

The greatest limitations to this role were found in Ireland. When conflict arised from divergent views

over the nature of development, it originated from the grassroots. There, it was centered on the preference given to small scale development projects in rural villages and incorporating existing activities vs the large scale industrial development projects imported into an area. In other cases it challenged the wisdom and effectiveness of the numerous projects underway to develop leisure activity parks rather than environmentally sensitive projects targeted to selected niches of the tourism market, such as eco-tourism.

Contributor

The preparation and negotiations of the first CSFs as national plans for regional development only saw a partial involvement of the regions. Regional planning districts in the smaller countries did not participate in this effort. The impact of CSF planning was nonetheless very significant on the three smaller countries, contributing to and accelerating a debate on regionalization. The clearest example is Portugal where politically charged discussions ran through the phase of CSF negotiations on the issue of regionalization, promoted by Brussels and strongly resisted by Lisbon which did not want regional development programs nor regional administrations to manage them. This political confrontation left a degree of suspicion among portuguese national officials regarding the Community's motives. They did and many still argued that it was entirely up to the country's political process to decide whether and when to adopt a regional system while conceding that the country's constitution calls for it. But the initial confrontation did not prevent the establishment of good working relations with Brussels.

On this point of input into the negotiations, Ireland and Greece reported experiences similar to that of Portugal. However, in Ireland there appeared to have been no particular fallout in terms of direct dealings with Brussels and no particular sense of vulnerability vis a vis Brussels. This is due most likely to the high confidence that Irish national officials had in the quality of their work and reliability of their bureaucracy. In Greece, the confrontation had been just a temporary occurrence with no lasting negative impacts but it had also unleashed expectations within the ranks of the regional program bureaucracies for further moves toward regional autonomy.

In the two larger countries, Italy and Spain, the phase of negotiations had not been significant for the regions, as they essentially did not participate in it directly nor did it have elements of confrontation over institutional arrangements. However, this phase produced the definition of the concept of «partnership» which, in the CSFs of these two countries, is constructed on the regional role, notwithstanding the financial commitments made by the respective national governments. This is very different from the interpretation given to the same concept by, for example, Portugal where the distinction was made between the endorsement of the concept of partnership and the rejection of the idea that it should be defined homogeneously across the countries, as region-based.

Translator

Regions played the role of translator in the preparation and implementation of OPs. The criteria of partnership in development took on a significant meaning for the regions. A controversial issue in deciding on the content of OPs was the perception that the region's degree of freedom was limited by needs definition mandated and restricted by Brussels. Questions of predetermined criteria to define eligibility were raised by the regions with regard to all Program areas, ranging from the definition of geographical boundaries to the decision of what categories of workers were eligible for training purposes. Highlighted were the discrepancies of views between the EC and regional planners, the built-in inconsistencies in terms of OPs, and ultimately the lesser impact of development measures. Greater flexibility in needs assessments was asked for by the regions, including the recognition of the importance of making adjustments to early estimates.

The degree of freedom in financially managing the OPs varied greatly between regions and regional planning districts. In Greece, financial management decisions on whether or not Program changes should be considered were not made at the regional level or strongly influenced by it. They were centralized at the ministerial level as the implementation was centralized. Project resources were controlled by the ministries in the case of national projects and by the prefectures in the case of regional projects. The role of the regional staff and of regional Monitoring Committees was one of promoting coordination, pressing for speedy implementation, and advising about project or measure changes.

In Ireland, the Department of Finance was responsible overall for the financial management of the CSF

and the eventual reallocation of resources within and across programs respecting the percentage thresholds written into the CSF. The detailed procedures that the Department of Finance had adopted indicated a tight budgetary discipline and close control, on its part and through the other departments, over the various Programs. The departments submitted evidence of expenditure and satisfactory progress made to claim money from the various Funds according to the payment installment schedule.

Decentralized financial management went hand in hand with regional governments. In both Spain and Italy, CSF financial management was largely a regional matter. Sicily, a special status region, enjoyed the greatest degree of autonomy in this regard. The Regional Presidency had the responsibility to expedite the requests for financial resources which were submitted by the sectoral Assessorates. The stated commitment was to give priority to those Assessorates on schedule with the implementation of the projects. The various Assessorates used their own method and local agencies to gather information. For example, the Assessorate for Agriculture made use of peripheral offices to assess longitudinally how well projects were proceeding. Spanish regions also enjoyed autonomy in the financial management of OPs as they did in the elaboration of the content of the OPs.

In Sicily, the criteria of partnership and planning were reported to be working in the direction of changing the mode of governing i.e. to reorient the regional budget according to planning goals. While Sicily's OP is a fraction of the region's budget, it serves as a catalyst. Unlike its case with the IMP, the region was implementing the OP by making use of the existing budgetary and institutional laws. Given that the planning for OP identifies development priorities (in line with those of the Regional Development Scheme) and resources, the overall regional budget was reported to be in line with those priorities as well. As OP implementation demands prompted capacity to spend according to plan, other projects outside of it benefitted from the accrued capacity. As one regional official put it: «In the south what is extraordinary is the ordinarietà. When the government becomes capable of developing a capacity to spend, that's extraordinary.» The element of partnership in the CSF allowed regions in these two countries to develop their own programs and review them directly with Brussels without having to go to the Ministry and wait for indirect feedback.

Initiator

Transregional cooperation had not taken place in any substantial form within the scope of the CSF but it was the subject of the greatest interest on the part of regional officials and interests groups, thus displaying potentials for future growth. Regional districts in Greece had been effectively prevented from building relations with regions in other countries due to the lack of resources, more so than because of strict and inviolable rules from the center. In fact, the view was that when the implementation sub-programs would get funded, there would be opportunities to respond to solicitations which were coming from Mediterranean regions to participate in conferences, be part of study groups, and discuss common EC lobbying strategies.

Ireland and Portugal had in place institutional structures which did not operate with a regional level, but rather through a regional level of the central government. Therefore here too examples of transregional cooperation were hard to find. But state-initiated contacts had occurred within the scope of the CSF and specifically between these two countries regarding technical aspects of management, such as forms for the monitoring of OPs. Ireland had a transregional infrastructure project under completion with Northern Ireland which had generated close work contacts between the two. In both Ireland and Portugal, the important role of central ministries in keeping abreast of what other countries were doing in terms of CSF was stressed.

In Italy and Spain too there was little evidence of transregional coordination within the scope of the CSF. What had occurred up until then were impromptu visits to external regions in conjunction with the holding of international conferences and work contacts between regional planners on the basis of personal professional relations. What had increased substantially was the number of private visitors, usually entrepreneurs, from regions abroad as reported by Spanish and Italian regional officials. The topic of transregional exchanges sparked a great interest. It was recognized that exchanges occurred more often outside the scope of the CSF through the variety of Community programs which mandated transregional cooperation, such as EUROFORM and NOW. This approach seemed to be a problem for small regional districts which have limited staff resources to devote to the task of participating in sectoral transregional programs. The hope was that the CSF in the second round would acquire the component of transregional cooperation which in the first round it did not have.

Conclusions

Cohesion, or the reduction in regional disparities, is as much a political goal as is an economic goal, requiring the participation of a plurality of actors and the backing of a multiplicity of resources to be pursued. Since its official adoption by the EC, now the EU, in 1987 cohesion has been pursued mainly through the EU's development programs, the most important of which are the CSFs as they impact upon the least developed of all EU's regions, the Objective 1 regions.

This investigation of the implementation of the first round of CSFs (1989-1993) in ten Objective 1 regions is based on two premises: that development is a multi-dimensional concept whose defining elements include, among others, local cultural attitudes and the scope and functioning capacity of public institutions; and that as member states' economies have undergone structural changes which have increased the number of small and medium size enterprises, the intermediate institutional level of the region has emerged as the best suited to play the roles of development planner promoted by the EU.

Nine specific roles for regions as development planner are first conceptually analyzed and then empirically investigated to assess the extent to which regional governments or regional planning districts in Objective 1 regions played them in preparing and carrying out the CSFs. The resulting picture in 1991-92 was a mixed one. Not unexpectedly the greatest opportunities for a regional role in development were afforded by the CSFs to regional institutions in Italy and Spain. There, planning for CSF was a three-tier process involving the Community, the State, and the regions. In spite of the fact that regional participation was restricted in the initial phase of negotiations between the EU and the states, it was more significant than the states' in the phase of the operationalization of the plan and overwhelming in the monitoring phase of it. Involvement of the private sector in planning was relatively low with the exception, of course, of the terminal phase of either project construction or service delivery. Direct work contacts between regional and Community's officials in the three-year period had become quite frequent and often tended to supplant those between the regional and national officials. Some evidence was found of inter-regional agreements and development projects among more than one region within the same member state, while minimal evidence was there of trans-regional agreements among more than one region in different states.

Conversely, in the three smaller countries with only administrative regional planning districts—Greece and Portugal—or monitoring districts—Ireland—planning for the CSF afforded the greatest opportunities to play a role in development to the national ministries in charge of it. Yet, here too the networks of territorial and institutional relations became more complex and at the same time more articulated and differentiated. On the one hand, the participation of the planning districts in the implementation of the CSF (as there was none in the definition of it) created a bottom-up demand for more, in particular from the larger, more urbanized and developed areas outside of the national capitals and in need of less technical assistance. This attitude often clashed with the centralized management structure of the CSFs, ever more so when such districts sought informal but direct work contacts with Commission's officials.

On the other hand, smaller and poorer planning districts found themselves often overwhelmed by the multitude and novelty of tasks associated with CSF implementation in light also of the very limited private resources they could draw upon. Under such circumstances, these districts more readily sought to receive early on technical support from the national ministries, although the evidence showed that in time they too demanded and preferred to see their own administrative capacity strengthened, specially in Greece and Portugal. In Ireland, the call for regional autonomy in development planning, when made, came on the strength of the argument that centralized management of the CSF was stifling innovation, creativity, and risk taking at the area and local levels in favor of more traditional infrastructure development options, at an overall cost to the national economy and despite the efficient workings of the Irish CSF.

In conclusion, the early years of implementation of the first CSFs proved the slow but steady emergence of the regional level as the new institutional partner of the Commission in the operationalization and monitoring of broad-based development policies, notwithstanding the retention of almost exclusive powers of negotiation by the states in the phase of policy formulation with the Commission.

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