

**EXPLAINING DIFFERENCES IN
REGIONAL PERFORMANCE:
ADMINISTRATIVE CAPACITY AND POLITICAL FACTORS**

The Case of Structural Funds Implementation
in Italian Objective 1 regions.

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I, Simona Milio, declare that the work presented in this thesis is my own.

Signature

Abstract

This thesis starts from the following question: Why, after 16 years of receiving Structural Funds, do some regions still have difficulties in spending their allocated resources? Empirical evidence shows that Funds implementation rates have varied widely among European Union Objective 1 regions. The overall performance of Italian regions, in particular, has consistently lagged behind other countries. However, an investigation into individual Italian Objective 1 regions reveals that not all follow this general trend. Indeed, some regions have outperformed others remarkably. Why is this the case?

I explore these differences and identify potential variables that may account for such regional variation. My central hypothesis is that differences in implementation are strongly dependent on the degree of administrative capacity that exists in the recipient regional government. Due to the deficiency in the existing literature of a clear definition of administrative capacity, I attempt to fill this gap by introducing a novel characterization that allows me to operationalize and measure the concept.

The core of the methodology is an in-depth case study supported by field research based on personal interviews and documented questionnaires. I investigate two contrasting southern Italian regions, Sicily and Basilicata, measure their respective degrees of administrative capacity and provide evidence to suggest that this latter variable is positively correlated to Structural Funds implementation.

Answering my first query has prompted a further question: if it is true that the variation in implementation of resources between regions can be explained by different degrees of regional administrative capacity, then what is it that determines the degree of administrative capacity at the regional level? In studying this second question I further test the hypothesis that the level of administrative capacity is influenced by three key political factors: namely, political interference, government stability and political accountability.

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List of Abbreviations

AN	<i>Alleanza Nazionale</i>
Agensud	<i>Agenzia per lo sviluppo del Mezzogiorno</i> (Agency for the promotion of development in the Mezzogiorno)
Casmez	<i>Cassa per opere straordinarie di pubblico interesse nell'Italia meridionale</i> (Fund for the South)
CCD	<i>Centro Cristiano Democratico</i> (Christian Democratic Centre)
CEECs	Central and Eastern European Countries
CICO	<i>Comitato Interdipartimentale di Coordinamento Organizzativo</i> (Interdepartmental Committee for Management Coordination)
CIS	<i>Comitato per l'Indipendenza della Sicilia</i> (Committee for the Independence of Sicily)
CODIPA	<i>Comitato di coordinamento dei dipartimenti</i> (Committee of Coordination of the Departments)
COR	Committee of Regions
COREPER	Committee of Permanent Representative
CRPE	<i>Comitato Regionale per la Programmazione Economica</i> (Regional Committee for Economic Planning)
CSF	Community Support Framework
CTI	<i>Commissione Tecnica Interdipartimentale</i> (Interdepartmental Technical Commission)
D.lgs.	<i>Decreto Legislativo</i> (Legislative decree)
DC	<i>Democrazia Cristiana</i> (Christian Democratic Party)
DPS	<i>Dipartimento per le Politiche di Sviluppo e Coesione</i>
DS	<i>Democratici di Sinistra</i> (Left Democrats)
EAGGF	European Agricultural Guidance and Guarantee Fund
EC	European Commission
ERDF	European Regional Development Fund
ESF	European Social Fund
EU	European Union
EVIS	<i>Esercito Volontario per l'Indipendenza della Sicilia</i> (Voluntary Army for the Independence of Sicily)
FI	<i>Forza Italia</i>
FIFG	Financial Instrument for Fisheries Guidance
GDP	Gross Domestic Product
IGRUE	<i>Ispettorato Generale per i Rapporti Finanziari con l'Unione Europea</i>
IMPs	Integrated Mediterranean Programmes
ISTAT	<i>Istituto Nazionale di Statistica</i>
L.cost.	<i>Legge Costituzionale</i> (Constitutional amendment Law)
L.R.	<i>Legge Regionale</i> (Regional Law)
LN	<i>Lega Nord</i>
MA	Managing Authority
MIS	<i>Movimento per l'Indipendenza della Sicilia</i> (Movement for the Independence of Sicily).
NPM	New Public Management

POP	Plurifond Operative Programme
PA	Public Administration
PCI	<i>Partito Comunista Italiano</i> (Italian Communist Party)
PLI	<i>Partito Liberale Italiano</i> (Italian Liberal Party)
PPI	<i>Partito Popolare Italiano</i> (Italian Popular Party)
PRI	<i>Partito Repubblicano Italiano or Repubblicani</i> (Republicans)
PSDI	<i>Partito Social Democratico Italiano</i> (Italian Social Democratic Party)
PSI	<i>Partito Socialista Italiano</i> (Italian Socialist Party)
ROP	Regional Operational Programmes
UDCC	<i>Unione dei Democratici Cristiani e Democratici di Centro</i>
USCS	<i>Unione Siciliana Cristiano Sociale</i>

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PART I
RESEARCH QUESTION, LITERATURE REVIEW
AND
METHODOLOGY

Chapter 1

What determines the variation in the regional implementation of Structural Funds?

1.1 Introduction

This introductory chapter is divided into seven sections. The first section, introduces the research puzzle. Retrospective data on the rate of Structural Funds expenditure across the European Union (EU) Member States show strong variation and Italy appears to be among the worse performing Member States. Interestingly, though, a closer look at the individual performance of each Italian region reveals that some of them perform extremely well. Thus, in a national context where there has been a lower than average ability to implement allocated funds, there has, in contrast, been a higher than average ability on the part of some southern Italian regions to spend the resources. How can we explain these differences in regional performance?

The second section sets the rationale for the study and introduces the research question and hypothesis (cf. Section 1.3). Sections 1.4 and 1.5 form an interpretative framework that provides an analysis of the main institutional and administrative challenges faced by regional governments in implementing Structural Funds. Section 1.4 summarizes two contrasting theories, namely multilevel governance, and the intergovernmental perspective; the former argues for a change in the significance of regional government¹ within the Nation State. The multilevel governance theory has gained considerable credence in recent years and is strongly supported by the 1988 reform of Structural

¹ In this thesis the word regional government, regional level and subnational level will be used interchangeably.

Funds, which is described in detail. The key point that emerged from this reform was the introduction of a new approach to regional development policies, based on the increasing role of sub-national governments: this had consequences in terms of both institutional and administrative changes required within Member States to enable them to implement Structural Funds.

Section 1.5 addresses the process of institutional adjustment that was triggered, with institutional frameworks converging towards a two- or multi-tier system of governance. However, it became clear that not all regions were able to become active partners with the national government and the European Commission, because of the differences in their administrative roles, decision-making autonomy, and policy-making and implementation capacities. This enables us to place the southern Italian regions within the European context and to analyse their reactions to the introduction of Structural Funds and the evolving new policy-making and implementation scenarios. Italy experienced strong initial difficulties in adapting to a multilevel governance system due to the traditional centralized form of intervention, which did not leave much space for the role of regional governments (Desideri and Santantonio, 1997). The Italian case undoubtedly reveals that while some regions (e.g. Basilicata) have been able to successfully implement the funds, others (e.g. Sicily) have registered long delays. By focusing on the characteristics of the Italian case, I will clarify the potential reasons underlying inter-regional variation in Objective 1 regions.

Section 1.6 reviews the existing literature on Structural Funds implementation and highlights the limitations of current explanations. The existing arguments on resource implementation do not fully explain the variations observed. Furthermore, the literature that analyses Italian regions focuses on explaining different regional economic developments (final stage) rather than looking at the implementation stage. The social and political explanations provided by this branch of the literature, when applied to my case studies, do not fully answer my initial question. Therefore, my search for an alternative explanation seems valuable since it can contribute to the still limited literature on policy implementation.

Section 1.7 introduces my central hypothesis, which has two component parts. The first part tests whether differences in implementation are strongly connected to the degree of administrative capacity existing in a regional government. I expect to find that high administrative capacity is positively correlated to Structural Funds implementation. The lack in the existing literature of a clear definition of administrative capacity is a gap that I attempt to fill by introducing a novel characterization that allows us to operationalize and measure the concept.

Section 1.7 will reveal that the process of analysis that has led us to formulate the first part of the central hypothesis has also stimulated a further and more analytically complicated question: if it is true that the variation between regions in implementation of resources can be explained by differences in regional administrative capacity, then what is it that determines the degree of administrative capacity at the regional level? Here, I introduce the second part of the central hypothesis: the four features constituting administrative capacity can be influenced by political factors, namely political interference, government stability, and political accountability. Section 1.8 presents the overall structure of the thesis.

In summary, the aim of my thesis is two-fold. First, I intend to investigate the role of administrative capacity in determining implementation performance, and in order to do so I will assess administrative capacity in the selected case studies; therefore I will suggest a definition of administrative capacity and a way to measure it. Once I have assessed administrative capacity in the selected case studies, I expect to find that administrative capacity is higher/lower in the region where there is a higher/lower implementation of the Funds. Second, I aim to study the role of factors in influencing different degrees of regional administrative capacity, in order to answer the correlated question – i.e., why does administrative capacity vary across regions?

The period of investigation covers the three consecutive cycles of Structural Funds: 1988-1993, 1994-1999 and 2000-2006. The latter period is covered until 2004 –i.e. the end of the first half of the planning period – because the information available for 2005 and 2006 is still very limited.

1.2 The research puzzle

The Structural Funds,² as the instruments of the European Union's (EU) cohesion policy, were redefined in terms of their rules and regulations in 1988 and began to operate in a coordinated fashion. The main targets for Structural Funds are Objective 1 regions, defined as those whose development is lagging behind – i.e. where the Gross Domestic Product (GDP) per capita is at or below 75% of the Community average.³

From the beginning, there have been significant differences between regions in the way they have implemented their allocation of funds. The European Commission (EC) defines implementation as

“[t]he operational process needed to produce expected outputs” (CEC, 1999c: 55).

Implementation, therefore, is that part of the cycle by which inputs are converted into outputs. The outputs produced can be of two kinds: (1) quantitative implementation, i.e. spending the allocated resources in the given time span; or (2) qualitative implementation, i.e. investing the resources in “good” projects in order to generate economic growth and job creation.

² There are four Structural Funds: the European Regional Development Fund (ERDF), which is intended to help reduce imbalances between regions of the Community. It was set up in 1975 and grants financial assistance for development projects in the poorer regions. In terms of financial resources, the ERDF is by far the largest of the EU's Structural Funds and it is the main financial instrument of EU Regional Policy; the European Social Fund (ESF), established in 1960, is the main instrument of Community social policy. It provides financial assistance for vocational training, retraining and job-creation schemes. The actual goal of ESF is that of improving the functioning of labour markets and helping to reintegrate unemployed people into working life; the European Agricultural Guidance and Guarantee Fund (EAGGF) finances the EU's common agricultural policy. Its purpose is to provide market support and promote structural adjustments in agriculture. The EAGGF is divided into two sections: the Guarantee Section finances price support measures and export refunds to guarantee stable prices to farmers, while the Guidance Section grants subsidies for rationalization schemes, modernization and structural improvements in farming. The Financial Instrument for Fisheries Guidance (FIFG), the last Fund to be created, in 1994, draws together the Community instruments for fisheries. It is applied in all coastal regions; its main task is to increase the competitiveness of the structures and develop viable business enterprises in the fishing industry while striving to maintain the balance between fishing capacities and available resources.

³ All of these regions have a number of economic signals/indicators “flashing red”: a low level of investment; a higher than average unemployment rate; a lack of services for businesses and individuals; and poor basic infrastructure.

This thesis starts by scrutinizing the first aspect – i.e. by asking the question: why do some regions spend more funds than others? This question is relevant for two main reasons. First, unspent resources are lost and this has a negative impact on, among others, the society, which sees the loss as a failure of the government. Second, the future allocation of Structural Funds is determined, among other factors, on the basis of a region's spending capacity. Therefore, a Member State which does not spend its allocation risks losing future funding and opportunities to foster regional development. This aspect is currently of particular importance since the EU redefined its budgetary allocations for cohesion policy for the next policy cycle, 2007-2013, after the 2004 enlargement brought into the EU nine Member States whose national GDP per capita is below the 75% threshold.⁴ Although the newly joined countries have already begun to receive Structural Funds, it remains to be seen whether all will be able to utilize these resources as prescribed by the rules and regulations.

By investigating the reasons behind the difficulties faced by the former EU-15 Member States in their implementation of Structural Funds, it is possible to isolate impeding factors and, hopefully, to provide indications of what the new Member States need to do in the future to improve current implementation strategies and avoid the mistakes made in the past. Furthermore, an inquiry into why these differences in regional performance exist can throw new light on factors which have not been previously considered by scholars and by policy makers.

Nonetheless, the aspect of qualitative implementation is also relevant, but has to be tackled separately, since it requires a different methodology and the identification of indicators for assessing the quality of a project, a somewhat contentious process, rather than the relative objectivity of resource expenditure.

⁴ The ten new Member States are Malta, Cyprus and eight Central and Eastern European Countries: Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovak Republic and Slovenia. The only exception to this rule is Cyprus which, given that only the Greek part has entered, has a GDP per capita of 77.8% (EU15) and 85.4% (EU-25). See European Commission, 2004: 200. In 2007 two new member states joined the EU, Bulgaria and Romania, and their GDP per capita levels were also below the 75% threshold.

Empirical evidence on the expenditure rate of Structural Funds in EU Objective 1 regions shows that the overall performance of Italian regions has consistently lagged behind that of other countries. Table 1.1a shows that in the first period (1989-1993) of EU cohesion policy, Italian regions had the lowest implementation rate (73%) in terms of how much they spent (Payments) compared to total allocations (Commitments). In the second period, 1994-1999 (Table 1.1b), Italy remained tied for last, and it appears that there has been little improvement during the third period (Table 1.1c).

Table 1.1 Percentage of Structural Funds expenditure* - European Union Objective 1 regions

a. Period 1989-1993		b. Period 1994-1999		c. Period 2000-2006**	
	%		%		%
Ireland	95	Portugal	89	Portugal	48
Portugal	91	Ireland	87	Ireland	44
Spain	87	Spain	82	Spain	41
Greece	84	Denmark	81	Austria	38
France	84	Austria	77	Germany	38
United Kingdom	83	Greece	73	Finland	34
Italy	73	Belgium	72	Sweden	34
		France	67	France	29
		Netherlands	67	Belgium	27
		United Kingdom	67	Greece	27
		Italy	67	Italy	26
				United Kingdom	25
				Netherlands	16

Source: European Commission – Respective Annual Report on Structural Funds

* % of expenditure is calculated as expenditure/total allocation

**Expenditure is calculated until December 2004

However, an analysis of each of the Italian Objective 1 regions, all of which are located in the southern part of the country – best known as the *Mezzogiorno* – shows that not all followed the same general trend. Retrospective data suggests that Structural Funds implementation over the past two planning periods has varied markedly between these regions (Table 1.2). Indeed, during the first period (1989-1993) there were eight Objective 1 regions in the *Mezzogiorno*, namely Abruzzo, Molise, Puglia, Campania, Calabria, Basilicata, Sicily and Sardinia. In the second and third periods, Abruzzo and Molise were placed in “phasing out” because they had surpassed the minimum GDP per capita required (75% of the average Community GDP per capita). The EU Commission’s Third Report on Economic and Social Cohesion (2004:5) suggests that

Sardinia and Basilicata will be the next Italian regions to exit from Objective 1 in the fourth phase of Structural Funds 2007- 2013, leaving four of the original eight southern Italian regions in Objective 1.

Table 1.2 Percentage of Structural Funds expenditure - Italian Objective 1 regions

a. Period 1989-1993		b. Period 1994-1999		c. Period 2000-2006**	
	%		%		%
Basilicata	92	Basilicata	100	Basilicata	38
Abruzzo	80	Abruzzo*	100	Molise***	35
Molise	77	Molise	99	Sardinia	32
Sardinia	77	Sardinia	92	Calabria	31
Calabria	80	Calabria	84	Puglia	26
Campania	62	Campania	80	Campania	26
Puglia	64	Puglia	77	Sicily	23
Sicily	57	Sicily	75		

Source: Author's elaboration on Italian Ministry of the Treasury data.

*Abruzzo is in "Phasing-out" stage - i.e. it exits ob. 1 status at the end of 1996

** The data for this period are updated at December 2004

*** Molise is in "Phasing-out" - i.e. it exits ob. 1 status at the end of 2003

Although originally all regions began to implement Structural Funds with no prior experience, some regions such as Basilicata have consistently performed well: in the period 1989-1993 Basilicata implemented 90% of its allocation; in 1994-1999, it implemented all of its available resources; and it currently has the best Funds implementation record for the period 2000-2006. Conversely, other regions such as Sicily have shown constant delays in the pace of expenditure over the three periods. So, although on the national level there has been a lower than average ability to implement allocated funds, in contrast, some southern Italian regions have demonstrated a higher than average ability to spend the resources. Why is this the case, and what has been happening in some Objective 1 regions vis-à-vis others? How can we explain these differences in regional performance?

This research explores these differences and aims to identify potential variables that may have influenced the evident variations in implementation. Southern Italy can no longer be treated as one homogenous zone, as it has been by many authors in the past (Pescatore, 1962; D'Antonio, 1979; Ammannati, 1981; Cercola, 1984; Barone, 1986;

Tamburino e Villari, 1988). Indeed, intra-southern differences are extremely relevant and when analysed in detail may identify internal factors that account for the successful performance of some regions relative to others.

1.3 The rationale for the study

Although we have observed that variation exists at the regional level, it remains to be seen whether a common set of causal factors can be found. Only if this proves to be the case will it be possible to speak of a potentially generalized “hypothesis”. It is possible to eliminate at the outset a number of plausible causes of the observed variation. Whether or not regions implement Structural Funds does not depend on absorption capacity, economic factors, or socio-cultural factors. Neither does it directly depend on political factors (cf. Section 1.6).

The originality of this thesis is two-fold. First, it suggests an alternative explanation of the variation in regional performances instead of the powerful social capital variable advocated by Robert Putnam (1993) (cf. Section 1.6.3). Secondly, it investigates whether regions within the EU-15 Member States possessed an adequate level of administrative capacity to implement the Funds according to the stipulated rules and regulations. This is a novel investigation not yet tackled in the literature, which has in fact significantly overlooked the whole issue of the implementation of EU policies. Indeed, while there is a rich case study literature looking at the Central and Eastern European Countries (CEECs), there is no systematic comparative research able to test the administrative capacity explanation among the EU-15. This thesis attempts to fill this research lacuna by first identifying the component elements and measures of administrative capacity, and then testing the existence of this capacity in two selected case studies. Moreover, the interest of this question is strengthened by the following declaration of a Commission source:

“We never found a way to judge administrative capacity among the existing Member States. It was only in the case of the CEECs candidates knocking on our door that we erected the barrier of administrative capacity” (as quoted in Dimitrova, 2002: 178).

1.3.1 The existing literature on Structural Funds

My study starts with a review of the literature on Structural Funds, which finds that very little attention is given to the implementation phase. Indeed, all the studies and analyses that have been developed in the past can be classified into two main areas. The first focuses on the design of the decision-making process and is dominated by intergovernmentalism theory (Moravcsik 1993, 1995) versus multi-level governance (Hooghe 1996; Jeffery 1996a). Intergovernmentalists argue that national governments perform the role of “gatekeepers” between supranational institutions and their domestic system. The latter suggests that a new form of policy-making is developing in the EU. According to this perspective, central governments remain vitally important but do not hold a monopoly on decision-making powers. Instead, policy-making responsibility is now shared among a number of actors at European, national and sub-national levels. The second area of studies investigates the economic impact of Structural Funds. It is divided between the supporters of negative results (Rodriguez Pose, 1998) – i.e. the view that Structural Funds do not succeed in backing economic growth – and the advocates of positive results – those that corroborate that a process of regional convergence has been taking place since the Structural Funds reform of 1988 (Leonardi, 1993; 1995a; 2005). Indeed, the discussion of whether the different growth of the regions is related to Structural Funds implementation has been the object of a large-scale debate (Betutel, 2002; Keating, 1995; Basile, De Nardis, Girardi, 2001).

Throughout the literature little attention has been paid to the implementation of the resources. Therefore, I suggest that there is a significant need to change the focus of the analysis. Indeed, previous authors confirm that mismanagement or lack of implementation of Funds has no economic impact (Ederveen, De Groot and Nashuis, 2002). They argue that without implementation problems, the EU’s Structural Policy has beneficial effects with regard to economic and social cohesion. In the case of the *Mezzogiorno*, this assertion is supported by the fact that before Structural Funds implementation in 1989, GDP per capita in Basilicata was lower than in Sicily, a situation that has now changed dramatically (Table 1.3).

Table 1.3 GDP per capita (PPS) EU15=100

	1989	1995	1998	2000
Abruzzo	89	88.3	84	83.7
Basilicata	63	70.4	72	73.4
Calabria	60	61.2	61	62.1
Campania	69	65.3	64	65.3
Molise	77	77.4	79	78.8
Puglia	73	66.7	65	67.1
Sardinia	73	76.0	76	75.5
Sicily	65	65.9	65	65.4

Source: ISTAT

In the light of the above considerations, it is clear that the significance of the contribution made by Structural Funds to economic development is still controversial. Furthermore, so much has already been said that I do not wish to contribute to this debate. Instead, I want to tackle the implementation phase, positioned in the less visible back-end of the process, which is completely neglected. Indeed, since implementation constitutes the last major and most important component of a policy - that is, it determines whether a policy is effective or not -, it is important to understand the factors that encourage or prevent its occurrence. If resources are not spent, then they will definitely not have any impact.

1.3.2 The research question and hypothesis

This thesis seeks to analyse the role played by administrative capacity in determining variation between regions in the implementation of Structural Funds. If it is true that administrative capacity plays a determinant role in implementation, then it would therefore be interesting to understand what can account for the variation in administrative capacity among regions. This question introduces the second part of the central hypothesis, which will test the role of three political factors in influencing administrative variation: namely, political interference, government stability, and political accountability.

The main research questions posed in order to test the two parts of the central hypothesis will be:

- 1) What determines variation in the regional implementation of Structural Funds?
- 2) Why does administrative capacity vary at the regional level?

At this point, in order to answer my two central questions I propose three additional research questions that will help to structure the argument:

- a) How have the national and regional governments reacted to the innovation introduced in 1988 by the Structural Funds development method – i.e. have the national and regional institutions changed and reorganized their structure in order to comply with the dictates of cohesion policy? (cf. Section 1.4; Chapter 3 and 4)
- b) Did the regional government possess adequate capacity to perform its role in the multi-level form of governance? (cf. Section 1.5; Chapter 5)
- c) Has there been a process of institutional, administrative and political adjustment or learning – i.e. can we identify any virtuous/vicious pattern of interaction between the administrative and political areas which favours/compromises the regional performance? (cf. Chapter 6)

In order to answer these questions I will choose two regional case studies from southern Italy, namely Sicily and Basilicata. Italy provides some pertinent examples for investigating the administrative capacity at the regional level. First, it adopted a centralized approach to regional policy prior to the intervention of the Structural Funds, so in 1988 the regional governments were all starting from the same (low) level. Second, the Italian case is characterized by very different regional responses to the reform, which provides the opportunity to conduct a comparative analysis between the best (Basilicata) and worst (Sicily) performers and to single out the intervening variables.

I will argue that:

- 1) Italy came into line with the dictate of cohesion policy far too late: it retained an old-fashioned, traditional, approach to regional policy that has only recently been modernized;

- 2) This delay, coupled with a long history of centralization, has left the regions with a poor capacity to administer regional policy;
- 3) In this setting, the regional political class has pursued personal agendas and monopolized the activities of the administrative class.

The situation I have described above does not apply to all Italian regions. Indeed, some of them, such as Basilicata, have been able to outperform the others. I will argue that this has happened due to:

- a. the ability of the region to develop an adequate level of administrative capacity in relation to regional policy in line with the dictates of the EU cohesion policy;
- b. the virtuous interaction between the political and administrative sphere at the regional level;
- c. policy learning – the ability to change institutional performance over time to keep up with the changes in the rules and regulations applied to the Structural Funds.

The following sections will look at the main events of the period of analysis and identify the process that has led to the emergence of the sub-national level, in order to justify my interest in this particular unit of analysis. Indeed, regional units have become central to the implementation of cohesion policy: they are now responsible for managing, programming and monitoring Structural Funds. Therefore, it is vital to understand why they have difficulties in performing their new central role.

1.4 The creation of Structural Funds and the rise of the sub-national level

Historically, the political debate over policy-making in the EU has been dominated by two competing theories: intergovernmentalism, sustained by realists (Hoffmann 1964, 1966), and neofunctionalism, developed by pluralists (Haas 1958; Lindberg 1963). The former argues that national governments perform the role of “gatekeepers” between supranational institutions and their domestic system. The latter theory, in contrast,

claims that European integration proceeds in cycles and each increase in the level of integration creates the dynamic of spill-over, thereby producing further demands for integration in civil society, the economy and administrative structures. Recently this traditional debate has been replaced by the contemporary competing of liberal intergovernmentalism and multi-level governance. Precisely, in the realist tradition, Andrew Moravcsik (1993) and Mark Pollack (1995) continue to emphasize the role of national authorities in decision-making and implementation of policies. On the contrary, the pluralists, such as Gary Marks (1992, 1993) and Liesbet Hooghe (1996, 1998), have advanced the concept of multi-level governance, which suggests that a new form of policy-making is developing in the EU, where the responsibility is now shared among a number of actors at European, national and sub-national levels.

1.4.1 The reform of 1988

The institutionalisation of cohesion policy with the reform of the Structural Funds (ERDF, ESF, EAGGF-Guidance, FIFG) in 1988 changed the state-centric regulatory model of the European institutions. Cohesion policies prompted the gradual evolution of a “multi-level governance” form of decision-making and implementation, which became increasingly focused on the programmatic approach and partnership model. The latter broadens the scope of many aspects of economic policy by means of a co-decisional body comprising the EU, national governments, and regional and local authorities. The reform did away with the old didactic intergovernmentalist bargaining model in regional policy by admitting sub-national actors into a tripartite decision-making and implementation process. In addition, the new approach required the active participation of both public and private actors at various levels of policy-making.

The major reform adopted in 1988⁵ radically changed the largely isolated way in which the Structural Funds had previously operated into a global system of integration of their respective roles, where they worked together towards the goal of economic and social

⁵ The reform was achieved through five Council Regulations: the framework Regulation (2052/88) and the implementation Regulations (4253/88, 4254/88, 4255/88, 4256/88). It became effective on 1 January 1989.

cohesion. The Brussels European Council of February 1988 approved the principles under which the Structural Funds would operate; namely concentration, programming, additionality and partnership. Concentration was intended to direct funding towards a limited number of objectives, focusing on spatially defined areas of greatest need, on the severest problems and on certain thematic areas. Programming was a process intended to lead firstly to the diagnosis of problems, then to the formulation of a strategy to address them, and, lastly, to a definition of the specific measures or projects necessary to implementing the strategy. Additionality provides that the expenditure of Structural Funds on a programme shall be additional to and not a replacement of what would otherwise have been spent by the relevant national public authorities on that area of activity. Partnership suggests that the broad plans for using the Structural Funds are achieved through

“[c]lose consultations between the Commission, the Member States concerned and the competent authorities designated by the latter at national, regional, local or other level, with each party acting as a partner in pursuit of a common goal”. (Council Regulation n. 2052/1988)⁶

At the broadest level, partnership is seen, at least by the Commission, as an application of the principle of subsidiarity⁷ in public policy, reflecting the value of decentralisation and the involvement, at all levels, of the relevant authorities in lower tiers of government, from the preparatory stage to the implementation of the measures.

Partnership, both institutional – between different levels of government and within the same government level – and social, is deemed necessary at all stages (planning, implementing and monitoring) in order to allow the transfer of knowledge needed to produce a framework programme – defined as the Community Support Framework

⁶ Art.4 Regulation n.2052/88 says: “Community operations shall be such as to complement or contribute to corresponding national operations. They shall be established through close consultations between the Commission, the Member State concerned and the competent authorities designated by the latter at national, regional, local or other level, with each party acting as a partner in pursuit of a common goal. These consultations are hereinafter referred to as the ‘partnership’. The partnership shall cover the preparation, financing, monitoring and assessment of operations.”

⁷ The subsidiarity principle is intended to ensure that decisions are taken as closely as possible to the citizen and that constant checks are made as to whether action at Community level is justified in the light of the possibilities available at national, regional or local level. Specifically, it is the principle whereby the Union does not take action (except in the areas which fall within its exclusive competence) unless it is more effective than action taken at national, regional or local level.

(CSF)⁸ – that would subsequently be translated, at regional level, into multi-Fund Operational Programmes.

This innovation opened the way for a completely new approach to regional development policies within the EC, based on multi-year integrated programmes that were no longer centred on the exclusive role of one institutional level (i.e., the national). Instead, the new regulations required the participation of several levels – i.e., the Community, national, and regional/local levels (Leonardi, 2005).

1.5 The regional challenge to the implementation of Structural Funds.

The creation of the Structural Funds and the strengthening of an EU regional development policy through the adoption of the CSF approach has significantly changed the nature of relations between institutions and has led to the emergence for the first time of regional institutions as significant policy actors. This is true with regard to participation in the formulation and implementation of Structural Funds. Policies are no longer structured in an exclusively top-down approach. Instead, they now combine both top-down and bottom-up characteristics.

The implementation of the new decision-making mechanisms associated with multi-level governance proved to be far more complex and difficult to carry out than was initially expected. Adaptation to the new EU rules and regulations was not automatic. The new approach required both political and administrative changes at both the national and sub-national level. In order to create modern efficient forms of governmental activities, the institutions involved needed to develop (Tommel, 1987): (i) differentiated

⁸ The Community Support Framework (CSF) is a document approved by the European Commission, accordingly with the Member State, on the basis of the evaluation of a Development Plan presented by the State itself. The CSF contains a summary of the existing socio-economic context, the strategy planned to improve the context, the priorities, the specific objectives, the division of the financial resources, and the conditions for implementation. The CSF is implemented through Operational Programme (OP), which is elaborated by each Region and approved by the European Commission. The OP describes in detail the priorities set by the CSF and it is composed through operational interventions implemented through pluriannual measures.

vertical and horizontal distribution of powers and responsibilities; and (ii) considerable planning, programming and coordination capacities.

Since 1988, two more reforms, in 1993 and 1999, have changed the rules and regulations of the practical operation of Structural Funds. Both placed a strong emphasis on the monitoring and evaluation aspects.

In each Member State, national government and sub-national actors have different degrees of participation in decision-making. This reflects factors such as the distribution of competencies between national, regional and local levels, political interests and linkages, the amount and scope of co-funding available, the number and scope of programmes to be dealt with at each level, and administrative experience of managing economic development. It follows that practical arrangements for programming also vary, including the approaches to programme development, project generation, selection, monitoring and evaluation, and the extent to which these tasks are subsumed within the existing administrative structure or whether parts of the implementation are carried out by dedicated administrative structures and how these are organised (Bachtler *et al.*, 1999).

It is clear that, with the 1988 reform of Structural Funds, the regions gained a key role in the design and implementation of EU regional policy. Indeed, one of the main elements of the reform was the principle of partnership, which for the first time entitled sub-national governments to participate in the making of regional policies, posing a challenge to existing national practices. In this respect, the 1988 reform in theory represented the introduction of a “bottom-up” approach to regional policy design, management, implementation and monitoring in that it was a move towards the involvement of different tiers of government and partnership between different actors, both public and private.

However, several authors (Bailey and De Propriis 2002; Keating, 1995) argue that differences in the forms and structures of local governance throughout Europe have

weakened the aim of structural policies to achieve economic and social cohesion. More precisely, as Hooghe (1998) pointed out, the 1988 Reform obviously intended to change the role of regional government within the EU institutions, but not all regions were able to become active partners with the national government and the Commission because of the differences in their administrative roles, in their decision-making autonomy, in their policy-making and in their implementation capacity. As Bailey and De Propris (2002:9) put it,

“[s]ome regions had never before been involved in European policies and thus had never started or developed a dialogue with European institutions, in other cases regions did not even exist as geographical, administrative and political entities”.⁹

This was the case for the Italian regions (cf. Chapter 3).

1.5.1 The Italian scenario: constraints and policy changes in southern Italy

It seems clear that the success of EU cohesion policy is heavily dependent on the conformation of both national and regional administrative bodies to the Community's framework conditions, if they want to benefit from the available financial aid.

In Italy the evolution of regional and cohesion policies has been deeply influenced by the presence of continuing macro territorial differences between the north and south. The national authorities have always treated the southern Italian regions – the *Mezzogiorno* – as a single territory with the same difficulties, cultural problems and political obstacles. In 1950 a special fund, the *Intervento Straordinario per il Mezzogiorno* (Extraordinary Intervention for the Mezzogiorno), was created to provide a “massive intervention of public support in those regions which were lagging behind” (Cafiero, 2000). The fund's

⁹ In all EU countries “regions” exist as geographic and statistical entities. However, they do not necessarily exist as administrative or political entities. With the exception of Germany, Austria and Belgium, which had federal structures (in Belgium's case since 1995), other European member states started this process of institutional adjustment from different points. Of these, we can identify three groups according to their governance structures in 1988: (i) those with no regional tier of governance (Greece and Ireland); (ii) those with some form of subnational institutions (UK, Portugal, and the Netherlands); and (iii) Spain, Italy and France with a full system of regional bodies but with varying responsibilities for regional policy.

management was assigned to a newly created and highly centralized state agency, the *Cassa per il Mezzogiorno - Casmez* (Fund for the South). This acted as an autonomous entity, having the sole responsibility to implement the country's regional policy between 1950 and 1992. During this period various reforms gave the regions broad legal powers in territorial planning and economic intervention (cf. Chapter 3) but, as Smyrl (1997:293) notes, "the means to carry out these policies were generally lacking". Therefore, until 1992 the southern regions were the beneficiaries of a national regional policy that was basically a sectorial development policy. It lacked many of the features that were subsequently adopted by the EU's cohesion policy approach: there was no provision for long-term planning; a lack of individual regional knowledge led to a generalized distribution of expenditures over southern Italy rather than one that targeted particular areas; monitoring or evaluation procedures were deficient (Triglia, 1992).

Indeed, from 1989 to 1997, i.e. from the beginning of the first programming period to the middle of the second, each successive Italian government was barely interested in Structural Funds and totally incapable of managing them, on the one hand because the ministerial machinery was unable to handle such a complex policy, and on the other because national leaders preferred to reject the binding procedures of European funds in favour of the loose provisions attached to national sources of financing (Dyson and Featherstone, 1999: 464).

The changes took time to produce results. As shown by the Structural Funds ex-post evaluation 1994/1999,

"[t]hese instruments faced a series of obstacles in their implementation mostly due to the ongoing inadequacy of their administrative management...the increasing efficiency required by the new structural policies, the break-up of the traditional relationship between national and local government, and progressive devolution highlighted the necessity in some regions of re-designing and building new capacities" (Ismeri, 2002: 220).

Therefore, with the beginning of the CSF 2000-2006 the *Dipartimento per le Politiche di Sviluppo e Coesione* (DPS) (Department for Development and Cohesion policy),

which was set up in 1998, launched a campaign to promote regional administrative capacity:

“The success of Structural Funds implementation requires a general upgrading of Public Administration. Complex programming requires a deep modernization of the regions’ administrative structure. In order to guarantee the actual implementation of Funds at the regional level, it is necessary to set the conditions for the use of resources, to build the required capacity.” (Ministero del Tesoro, 2003: 207)

The DPS played a significant role in re-orienting the Italian attitude towards European matters: its members for the first time saw the procedures ruling Structural Funds as an opportunity to promote and foster a process of administrative modernisation, rather than as being too binding and constraint, especially in southern regions where problems of ineffectiveness were more serious. More precisely, the DPS adopted a sort of “paternalistic” strategy, by which they helped and co-operated with regional administrations, but at the same time exercised strict control over them. Thus in 1998, nine years after the introduction of the EU’s cohesion policy, Italy came into line with the dictates of the new approach in attempting to develop its less favoured regions - i.e. Objective 1 areas (cf. Chapter 4).

The level of response, in terms of spending the available resources, has differed widely between regions, although they are placed within the same national context, from the consistently strong performance of Basilicata to the consistently weak one of Sicily (Table 1.2). How does the literature explain such a variation?

1.6 The limitations of the existing literature

The phenomenon of variation in Structural Funds implementation among the southern Italian regions has not previously been investigated. As I have already outlined, most of the established literature on Structural Funds overlooks the implementation stage and is more concerned with the final effect – i.e. the economic development. Recently, though, some studies have respectively highlighted factors such as “absorption capacity” (NEI,

2002; Horvat and Maier, 2005) and infrastructure deficit (Noetzel, 1997) as eventual reasons for the difference in regional implementation.

As concerns specifically the *Mezzogiorno*, the most powerful established study focuses on social capital as the determinant variable (Putnam *et al.*, 1993; Putnam *et al.*, 1985, Leonardi *et al.*, 1987). More recently, attention has also been paid to institutional/political factors (Piattoni, 1997, 1998a, 1998b; Smyrl, 1997; Piattoni and Smyrl, 2002). These are the only studies that look at the implementation of policy. However, since they do not fully explain the variation we observe, I have identified the need to search for an alternative variable.

1.6.1 Absorption capacity theory

“Absorption capacity refers to a country’s/region’s ability to spend its allocated resources to meet the programme requirements, within the established timeframe” (CEC, 1999c: 74).

Studies on absorption capacity ask whether countries/regions are in a position to spend their funds allocation (NEI, 2002; Horvat and Maier, 2005). Their argument justifies poor implementation by suggesting that the volume of resources exceeds what can be spent, given the existing economic structures.

The above studies seemed to be based on the incorrect notion that Structural Funds are distributed equally among countries. Instead, in calculating the allocation for each country, the EC follows objective statistical criteria. These include

“[e]ligible population, regional prosperity, national prosperity and the relative severity of the Structural problems, especially the level of unemployment” (Art. 29, Council Regulation n.1260, 1999).

In the case of Italy, in order to deal with the complexity of underdeveloped areas, the Ministry of the Treasury takes into account additional criteria, including regional

infrastructure deficits, insularity, and size.¹⁰ This suggests that the assignment of funds is meticulously calculated to avoid excessive or inadequate allocations. Furthermore, if we look at regional distribution per capita (Table 1.4), it is clear that Basilicata receives more than Sicily. Therefore, absorption capacity would suggest that Sicily, since it receives a smaller allocation of funds, should be able to spend more, but this is not the case.

Table 1.4 Structural Funds allocations

	1989-1993		1994-1999		2000-2006	
	Overall allocation in Meuro	Per capita allocation in Meuro	Overall allocation in Meuro	Per capita allocation in Meuro	Overall allocation in Meuro	Per capita allocation in Meuro
Basilicata	257	413	599	958	743	1,227
Sardinia	265	160	967	576	1946	1,180
Calabria	430	200	871	404	1994	974
Sicily	759	147	1,557	294	3,858	759
Campania	836	144	1,542	258	3,825	662
Puglia	586	144	1,223	296	2,639	646
Molise**	120	359	292	864	181	552
Abruzzo*	167	132	234	182		

Source: Author's elaboration on IGRUE data

**Abruzzo in 1994/99 received funds until 1996;*

***Molise in 2000/06 received funds until 2003*

1.6.2 Economic conditions

I am aware of just one study on the factors influencing the spending of structural money, namely the one carried out for the European Parliament's Directorate General for Research by R. Noetzel (1997). The study hypothesized a positive correlation between the expenditure rate and the regional infrastructure indicators: if the latter are low, then the region's need would be greater and promote more expenditure (and vice versa). The author concedes

“...this condition is by no means a sufficient one to explain regional implementation” (Noetzel, 1997:9).

¹⁰ The dimension of the area is calculated in terms of the size of the population and the size of the territory (Ministero del Tesoro, 1999: 174).

Looking at my chosen case studies, the infrastructure grid of Sicily is low¹¹ when compared to that of Basilicata. Therefore, according to Noetzel's suggestion, Sicily should implement more resources, but, as Table 1.2 shows, this is not the case.

A further explanation of differences in institutional performance has been economic development. By increasing the types of physical assets available to policy makers, by spreading education across the population and by eroding pre-modern, clientelistic ties, development should reduce the incentives on public officials to divert public resources and facilitate the management of public affairs (Lipset, 1960; Dahl, 1971). What is clear in the case of Basilicata is that, though the region started the pre-regionalist period (1950-70) from a level of economic development lower than that which existed in Sicily (Table 1.5), it is now, as shown previously in Table 1.3, among the regions with the highest GDP per capita. Leonardi (1987) believes that this is because it has been able to use the opportunities presented by the existence of the regional institution: that is, it has used the region's planning powers to begin a process of sustained economic growth that has outstripped the performance of Sicily and other southern Italian regions (Figure 1.1).

Table 1.5 Gross Domestic Product per capita in 1950, 1960, 1970 (\$US,EU=100)

	1950	1960	1970
Basilicata	35	29	46
Sicily	41	37	52

Source: Leonardi (1995), p. 90

1.6.3 Social capital

Many studies have tried to capture the meaning and measurement of institutional performance (Huntington, 1965; Gurr and McClelland, 1971). But in the context of my research, one of the most powerful studies on institutional performance is that carried out by Putnam, Leonardi and Nanetti in three different periods: 1985, 1987 and 1993. What do they mean by institutional performance?

¹¹ In 1995, according to Confindustria data, the average index of infrastructure endowment was 66.3 in Sicily and 70.5 in Basilicata, against a figure of 100 for Italy as a whole.

“Institutions are devices for achieving purposes, not just for achieving agreements.... governments have to do things, not just decide things..... A high-performance democratic institution must be both responsive and effective: sensitive to the demands of its constituents and effective in using limited resources to address those demands” (Putnam *et al.*, 1993: 8).

The conception of institutional performance in their study relies on a very simple model of governance:

“Government institutions receive inputs from their social environment and produce outputs to respond to that environment.” (Putnam *et al.*, 1993:9)

A broader definition of institutional performance would therefore define it as the outputs of the institutions – i.e. the policies that are produced.

In this framework, Putnam *et al.*, who studied the difference in performance between northern and southern Italian regions over the period 1970-1990, ask a similar question: what can account for the variation in performance among the regions? The answer they reach is that it is based on the different social capital present in each region. Thus, in line with the finding of Alexis de Tocqueville’s *Democracy in America* (1969), Putnam *et al.* show that the different levels of economic development in the south and the north part of Italy are shaped by the local social context. The presence of strong social capital, defined as trust, norms and networks engagement, differentiates a civic community – found in the north – from an un-civic one – found in the south. The study claims that the lack of development of the southern regions compared to the northern part is down to the incapacity of the southerners to engage in collective enterprises because of their lack of trust in one another, whereas the mutual trust of the northerners has enabled them to engage in collective action, which is characteristic of a healthy and dynamic society. The main difference between collective and dyadic structures of interaction in the public sphere is that the first behaviour is based on deferred rewards whereas the second aims to gain immediate rewards. In economic terms the benefits of development must be seen in the long run and not in a short-term period. Looking for immediate rewards cannot create the basis for sustainable development.

The cultural reason Putnam *et al.* (1993) find to explain the differences between north and south does not fully explain the even more marked differences among the regions of

the *Mezzogiorno*. Indeed, they claim that poor development affects the whole southern area and none of the southern regions is considered to be emerging. These claims appear incorrect when the decrease in the number of Objective 1 areas in 2000 confirmed there had been structural changes in southern Italy and showed that developing areas existed within its boundaries. The data presented in Table 1.2 clearly show that there are differences in implementing capacity between southern Italian regions, which cannot be disregarded when referring to “southern” underdevelopment. The findings of Putnam, *et al.* on social capital do not offer an explanation of the variation we observe. Indeed, their analysis reveals that, accordingly with their definition of social capital, civic tradition over the period 1860-1920 and civic community in 1970s in Sicily and Basilicata are similar (Putnam *et al.* 1993:150-151 and Figures 5.2 and 5.3). If anything, the data show that Sicily has a slightly higher civic tradition than Basilicata. Therefore, the social capital explanation cannot account for the marked differences we have observed between those two regions in the *Mezzogiorno*.

1.6.4 Political factors

Simona Piattoni (1997) uses political factors to explain the economic success of some southern areas. Piattoni’s extensive studies on some southern regions, e.g. Abruzzo and Puglia, clearly reveal that

“the economic development of the former has depended on the ability of the political class to help the local economies tackle the necessary restructuring”(Piattoni, 1997:314).

Indeed, *Clientelismo* – the southern mode of political integration – is defined in two main different ways: “virtuous” and “ineffective” (Piattoni, 1997). The former applies to the “local political classes which are stable and cohesive and which also face a compact and sizeable opposition”, and therefore decide to support economic development to maintain their position. The latter definition of *clientelismo* – i.e. “ineffective” – describes local political classes which are “unstable and fragmented and face a fissured and negligible opposition”, and consequently inhibit any form of development. Piattoni’s conclusion on the performance of political institutions suggests the following:

“It is not dictated by the structural context in which they are embedded, but is rather the result of the strategic and creative choices of the political actors who mould structural and contingent circumstances to their ends and, in so doing, redefine the context in which they operate. Southern economic development is possible if only the political class could find the internal cohesion and the external incentives to operate for its promotion.”(Piattoni, 1997:337)

Likewise, Smyrl (1997) suggested that the success of some Italian regions in implementing cohesion policy was due to the “entrepreneurial” approach of regional elected authorities:

“In successful regions, political leaders gave public priority and invested administrative and political resources to European programs in the hope of reaping future political gain.” (Smyrl, 1997:289)

These claims were supported in subsequent work (Piattoni and Smyrl, 2002) comparing two northern regions, Tuscany and Liguria, with Puglia and Abruzzo.

I argue that an explanation of regional performances based only on political factors is limited. When we analyse the regional government we can distinguish the administrative machinery from the political class. The former’s tasks are related to implementing daily procedures and policy decisions, while the role of the latter is instead to act as a leader in setting the goals the institution should reach. Therefore it is necessary that the regional government possesses adequate capacity to implement policies. The question here is, then, what capacity does the region need in order to improve its performance? Is it only a matter of having an efficient political class or it is necessary to improve administrative behaviour? Ultimately, how has the interaction between these two areas influenced the output?

1.7 An alternative explanatory variable: administrative capacity

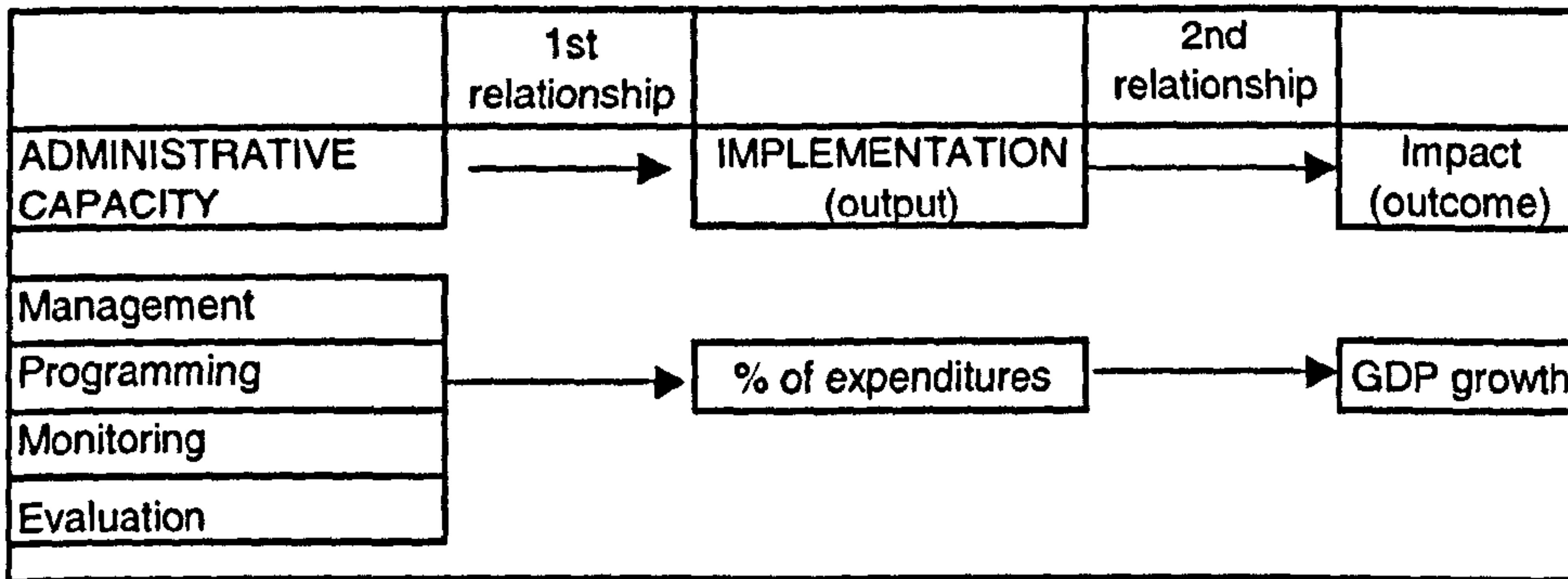
The above review of the literature has shown that some factors – social capital, absorption capacity, and economic factors – do not explain the variation we have observed in the implementation of the Funds. On the other hand, the political argument

supported by Piattoni's finding gives us a valid path to follow. In the current debate on regional development, political factors, especially the role of leadership, have gained in importance against over-deterministic cultural and economic approaches (Stolz, 2001). I do not dismiss the relevance of these factors, but argue that political factors need to be analysed within the context of the administrative capacity of the regional machinery. Indeed, it is for the political level to make the right choices, but it is up to the administration to undertake actions correctly. The lack of administrative capacity in performing actions cannot be substituted by the willingness of the political class to do well. Research suggests that in most instances non-compliance with international agreements is not intentional but due to lack of state capacity (Brown, Weiss and Jacobson, 1998).

Therefore, in explaining the emerging implementation differences among the southern regions, my argument is based on the importance of one variable: the administrative capacity of the regional administration. I suggest that administrative capacity relates to the ability of the institutions to fully and effectively carry out its duties and responsibilities. In this context, I refer to the management of Structural Funds policy according to their rules and procedures. Hence, I contend that administrative capacity is defined by four key actions: (1) Management; (2) Programming; (3) Monitoring; and (4) Evaluation (cf. Section 2.2.3).

My hypothesis regarding the relevance of administrative capacity as the determinant variable is based upon the positive relationship outlined in Figure 1.1: regional governments have a set of capacities and the degree to which they exist determines output (the quantitative implementation of resources measured by the expenditure rate). In order to improve output, existing capacity needs to be strengthened (first relationship). Consequently, once the resources are implemented they should produce a result (institutional outcomes) measured in terms of GDP growth (second relationship).

Figure 1.1 Administrative capacity -Output – Outcome



What we need to distinguish in this context, though, is the difference between outputs and outcomes. Putnam *et al.* (1993:65) clearly explain this difference:

“...While our evaluation of government must measure actions, not just words, we must be careful not to give governments credit (or blame) for matters beyond their control. In the language of policy analysis, we want to measure “outputs” rather than “outcomes” – implementation of programs rather than business profits. Profits are surely important but the reason for excluding them from our evaluation of government performance is simple: many things besides government influence socio-economic outcomes – i.e. profits represent entrepreneurial skill, worker diligence, world economic conditions and so on, that are beyond the control of any government”.

Therefore, the outcomes, in terms of “the socio-economic impact of policies”, are not to be directly attributed to the regional government. Once the distinction between institutional and socio-economic outcomes is made clear, I can explain how it fits into my research. I will refer to institutional outputs (performance) in terms of “implementation of resources”, whereas socio-economic outcomes are related to the increase of regional GDP per capita to reach the 75% of the EU average and therefore exit from the status of Objective 1 region. The regional government is responsible for the correct implementation of the resources, which if implemented appropriately have a greater chance of producing a positive economic impact, although the government can not be blamed for a lower growth of GDP because this can depend on many other factors, such as international economic trends.

The model described in Figure 1.1 emphasizes the importance of capacity in explaining the policy output (expenditure rate) and ultimately the outcomes (GDP growth.). I want

to clarify, though, that I am interested in establishing and investigating the first relationship. I leave the second link to be discovered and answered by the economists. My consideration of this aspect is simple: the Structural Funds have a greater chance of being effective and of promoting economic development if they are correctly implemented. Indeed, the fact that a region has an allocation of extra resources does not necessarily lead to any economic impact. If resources are not spent or are spent badly, they will not produce positive results (Leonardi, 2005: 79-86).

At this point, a further and more analytically complicated question arises: if it is true that the variation in implementation of resources between regions can be explained by a different regional administrative capacity, then what is it that accounts for the different degree of administrative capacity at the regional level? Here, I introduce the second part of the central hypothesis, which is that administrative capacity might be influenced by political factors, namely political interference, government stability, and political accountability. This aspect will be thoroughly discussed in Section 2.3

1.7.1 Finding implications

There are three main areas that relate to my study: (i) administrative capacity; (ii) regional policy and cohesion policy; and (iii) public administration and regional performance. At the end of the study, if the two parts of my central hypotheses are correct, then I hope to identify: (1) a potential variable to explain differences in regional performance – i.e. administrative capacity; and 2) the role of political factors in eventually determining the features acquired by the four key components of administrative capacity. The implications of the findings will be thoroughly discussed in the concluding chapter (cf. Chapter 7).

As well as the eventual contribution this study will make to the existing literature in the three areas identified above, there are also three sets of stakeholders potentially interested in the findings: (i) EU policy makers; (ii) national policy makers; and (iii)

regional government personnel at administrative as well as political levels in both old and new Member States (cf. Chapter 7).

If I am wrong, and there is no correlation between administrative capacity and implementation of the Funds my research will still have provided valid evidence to the debate over which factors explain the different levels of institutional performance. Proving my hypothesis wrong will leave more space for other explanations of a purely economical nature.

1.8 Structure of the thesis

The body of the thesis is structured in three parts. The first part, which includes this chapter and Chapter 2, sets out the research question, the literature review and the method of analysis.

In Chapter 2, I discuss extensively the process leading to the suggested definition of administrative capacity, the method of analysis and the indicators used to measure the existing degree of administrative capacity at regional level. I will present the case studies selected for testing the hypothesis. The method chosen for measuring the degree of each key action, based on the selected indicators, is by progressive stages: Absent; Starting; Developing; and Consolidated. This is an adaptation of the Institutional Development Framework (IDF) method used by the Centre for Development and Evaluation of USAID (2000).

The core of my methodological approach is an in-depth case study of two regions. These regions were chosen to ensure that two contrasting performances were considered: Sicily provides an example of low implementation of Funds and Basilicata demonstrates one of high implementation. I expect to find a positive correlation between administrative capacity and Structural Funds implementation rates.

After assessing the existing degree of administrative capacity I will further my study by investigating why administrative capacity varies between regions. In answering this second, more challenging, question I will investigate the interaction between the administrative and the political areas in order to test the second part of my central

hypothesis that three main political factors, namely political interference, government stability, political accountability, might influence the performance of the administrative area. The corollary theory I aim to prove is two-fold:

- (1) each political factor has some bearing on each one of the administrative key components as follows: (a) the political interference influences the management; (b) the government stability determines the programming; and (c) the monitoring and evaluating is tied to the political accountability; and
- (2) the three political variables are correlated to each other, as exemplified in the case studies investigated.

Before embarking on the analysis of this second relationship, I will briefly test the competing explanations we find in the established literature, namely education, corruption, and centralization.

Chapters 3 and 4 constitute the second part of the thesis. They present a retrospective analysis on the different phases of Italian regional policy and the political and administrative reforms that have taken place over time, and are structured to provide an interpretative framework for the case studies.

Chapter 3 investigates the first period of regional policy in Italy, which covers the years 1950-1992. It presents an historical analysis of the establishment of the regions as administrative and decision-making units. It characterizes the Italian approach to regionalization, which was strongly centralized and left little autonomy to the regions, thereby representing one of the causes of the accumulated inefficiency in their level of performance.

Chapter 4 investigates the second period, 1992-2004, where profound changes were made in the approach taken to the economical and societal development of the *Mezzogiorno*. These changes followed three concurrent events: the end of a 40-year top-down economic policy; the beginning of radical reform of the Public Administration (PA); and the devolution of political and administrative powers. I try to illustrate these changes with my regional case studies and to analyse how these changes led to a policy shift with regard to Structural Funds.

The third part of the thesis presents and discusses the results of the fieldwork. The investigation is performed over the three periods of implementation of the EU cohesion policy and the expenditure of Structural Funds – i.e. 1989-1993, 1994-1999, and 2000-2006.¹² Chapter 5 focuses on testing the first part of my central hypothesis by measuring the degree of the existing administrative capacity in the selected case studies. The data collection uses three techniques to ensure the reliability of the findings: (1) document analysis; (2) interviews – i.e. questionnaires and semi-structured interviews; and (3) direct observation. The investigation presented in this chapter provides evidence towards answering my first question; i.e., what determines the variation in Structural Funds implementation?

Chapter 6 will tackle the second question, which asks why administrative capacity varies across regions, and will test the second part of my central hypothesis. In order to undertake the analysis I use the same three techniques as in Chapter 5 to examine the three political factors – political interference, government stability and political accountability – which I hypothesize influence the features that constitute administrative capacity. The chapter will examine the relation between political interference and management, between government stability and programming outputs, and between political accountability on monitoring and evaluation. It is hoped that this analysis will identify factors that have contributed to the high degree of administrative capacity in Basilicata and the low administrative performance in Sicily.

Following my research, the concluding chapter (Chapter 7) positions my findings in the literature by discussing their limitations and their added value. There are three main areas that relate to my study: (i) administrative capacity; (ii) regional policy and cohesion policy; and (iii) public administration. Finally I will suggest future steps forward for the continuation of research in the area.

¹² This last period will be analyzed until 2004

Chapter 2

Administrative capacity: hypothesis and methods of analysis

2.1 Introduction

The previous chapter introduced the research question – why some regions implement more Structural Funds than do others? – and presented empirical evidence of the marked regional intra-south variation. Secondly, it reviewed the existing literature in search of an explanation. It established the lack in the literature of an in-depth analysis of the implementation process, given that the vast majority of authors have been more concerned with the policy-making process or the final economic impact of the resources on the regional socio-economic structure. After suggesting and showing the importance of the implementation stage, I have demonstrated that the observed regional variation in terms of expenditure is not fully explained by social capital theory, absorption capacity, or economic factors, which makes room for research into other possible explanations. In doing this, my investigation aims to further the hypothesis that suggests administrative capacity as a means of explaining regional differences in performance.

Answering this query has, however, prompted a further question: if it is true that the variation in implementation of resources among regions can be explained by a different regional administrative capacity, then, what is it that determines the degree of this capacity at the regional level? As anticipated in Chapter 1, I believe that the features acquired by the four key components that constitute administrative capacity are influenced by political factors, namely political interference, government stability and political accountability.

The aim of this chapter, which is divided into three sections, is to develop the two parts of the central hypothesis, the methodology and the case studies for answering my two main questions.

Section 2.2 discusses the first part of the central hypothesis and introduces the definition of the terms used in the research. Firstly, it explores the concept of administrative capacity and its relevance to cohesion policy; secondly, it reviews the literature on administrative capacity, examining the various definitions and approaches which have been suggested by other authors; thirdly, it reviews the various approaches to the study of administrative capacity that exist in the established literature; and finally, it concludes with the characterization I give to the term.

In exploring and reviewing the concept and substance of administrative capacity, there is one main problem to overcome, and this needs to be declared from the outset in my analysis. It is, simply, that what the literature offers is too general and too broad. This is an obstacle to attempts to find an assessment of administrative capacity with the aim of developing a common understanding across countries of what capacity actually is and what capacity would be required for various forms of implementation activities. Therefore, my characterization of administrative capacity aims to be more specific in order to be operationalizable and applicable across countries. Naturally, some of the specification will be related to resource implementation, but it will be easily applied to any financial resource and not merely to Structural Funds.

Section 2.3 discusses the second part of the central hypothesis. It introduces the question of why administrative capacity varies among regions. Many authors seem to agree on the role played by three variables in determining administrative capacity variation, namely education (North, 1992; Berg, 1993), national government configuration (Gualini, 2004; Marks, 1996) and corruption (Mauro, 1998). Firstly, the educational level seems to be similar in both of my case studies. Secondly, although a centralized approach to regional policy such as the one adopted by the Italian government has acted as an external constraint on building regional capacity, this has affected all of the

southern regions equally, and so it is far from being an explanatory variable. Instead, what is relevant to understand is why regions have reacted to this top-down approach in different ways (this will be extensively discussed in Chapter 3). Finally, I am not considering corruption as a valid explanation due to the uncertainty concerning the corruption index and its impact. Indeed, the vast literature on southern Italy and on Sicily in particular looks at corruption related to *mafia* as the sole or primary reason for the institutional output, but again this affirmation is close to being speculative rather than constituting a generalizable or measurable variable.

Finally, Section 2.4 identifies potential indicators to measure the degree of administrative capacity in regions and presents the selected case studies, namely Sicily and Basilicata. As discussed in Chapter 1, these two regions represent two extremes of Structural Funds implementation, from very low in the case of Sicily to very high in the case of Basilicata.

2.2 Defining administrative capacity

2.2.1 Administrative capacity in the existing literature

My review begins by analysing a new trend of thought that has recently developed and focuses on building administrative capacity in order to improve Structural Funds implementation in the CEECs (Shoylekova, 2004; Kun-Buczko, 2004). Studies on the EU-15 are rare, which seems unfair given that administrative capacity is an issue for all EU countries.

It was during the negotiations with the CEECs for EU accession that interest in administrative capacity first emerged (Bollen, 2001). It became clear that

“[s]tates with weak administrative capacity at the regional and local levels were more likely to have serious problems with the mismanagement of funds, or even with accessing them” (Hughes *et al.*, 2004a: 532-533).

The EC recognized that the allocation of Structural Funds to new Member States had to be underpinned by a capacity building programme, in order for these countries to develop adequate administrative and management skills (CEC, 1999b). Chapter 21 of the *acquis communautaire* states that

“[t]he candidate countries have to define clear tasks and responsibilities of all the bodies and institutions involved in Structural Funds preparation and implementation, and have to ensure appropriate administrative capacity” (CEC, 2004a:68).

As enlargement progressed, administrative capacity requirements grew in importance and complexity – from “administrative capacity” to “institution building” (Dimitrova, 2002; Hughes *et al.*, 2004b: 85-118). To help achieve these goals the CEECs were supported by the Phare programme whose first priority, “institution building”, was defined as the process of helping candidate countries to develop the structures, strategies, human resources and management skills needed to strengthen economic, social, regulatory and administrative capacity (Papantoniadou, 2004). However, neither a clear definition of administrative capacity nor a strong and coherent assessment model can be found in the existing literature (Dimitrova, 2002; Hughes *et al.*, 2004a: 534).

Current thinking on capacity is significantly broader than the definitions applied ten years ago. Capacity is closely linked with performance. Improvement and development of capacities is in turn linked with strategic management to ensure that performance directly reflects the objectives of the organization and the system (Milen, 2001:4). In recent years, many authors have focused on the weakness of the institutions in responding either to the goals set by policies or to the demand of the society.

In general, capacity has been defined as

“the ability to perform appropriate tasks effectively, efficiently and sustainably” (Hilderbrand and Grindle, 1994:15),

or as

“the ability to perform functions, solve problems and set and achieve objectives” (Fukuda-Parr *et al.*, 2002:3).

What makes a country able to perform a function, solve a problem or achieve an objective? This is very country-specific, since a country's approach to a particular problem will be embedded in its complex history, institutional setting and social fabric. The approach that Fukuda-Parr suggests is that a country should determine the actions that it is willing to take, and then assess what capacity such actions require. Indeed, research suggests that most instances of non-compliance with international agreements are not intentional, but are caused by lack of state capacity (Brown Weiss and Jacobson, 1998). If the gap between *existing* capacity and the capacity that is *required* is too large for a particular policy option, it could become virtually impossible for a country to abide by what it has committed to do, either domestically or internationally. In this framework, the level of existing capacities in a country is likely to define the next step it can take. However, it is also hoped that, with each step, capacity will grow, so as to allow for a progressive strengthening of actions over time.

Other authors (Mentz, 1997; North, 1992) argue that administrative capacity is related to personal capacity, since any administration is staffed with civil servants, and therefore it is their capacity that ultimately determines service delivery. Similarly, Cohen's (1993) definition of capacity in the public sector is linked to the strengthening of human resources (managerial, professional and technical), particularly institutions, and to provide

“[t]hose institutions with the means whereby these resources can be marshalled and sustained effectively to perform planning, policy formulation, and implementation tasks throughout government on any priority topic” (Cohen, 1993: 10).

Cohen's approach to capacity appears to be narrower, more operational and more oriented towards problem solving. Still, it does not tell us what capacity is required, or how we are to assess administrative capacity. The question here is: what capacity does the region need in order to improve its performance?

As I will discuss in the next two sections, I believe that regional government performance has to be considered from two points of view: first, with regard to the administrative capacity necessary to implement a policy; once this is established and

assessed, the second step is to isolate those factors that cause variation in administrative capacity.

In order to find more answers I must review the literature on institutional capacity, which encompasses the whole organization rather than just the administrative sphere. Although this latter is a broader concept than administrative capacity, it is worth looking at the existing definition of institutional capacity, in order to have some support in formulating my definition of administrative capacity. How capacity is defined determines what kind of strategies and actions should be taken in order to improve its output.

2.2.2 The road to a definition of administrative capacity

“Although many have become increasingly aware of the importance of institutional capacity in achieving development, there is certain despair on what can be done to improve it. That despair derives from the difficulty of improving a country’s public administration or of getting certain agencies to perform adequately” (Israel, 1987:2).

The international development community is increasingly focusing on institutional capacity as one of the missing elements in any successful development strategy. This was inevitable in light of accumulating evidence that development programmes failed because of institutional and managerial weaknesses (World Bank, 1983). Broadly, the literature views institutional capacity as a means to achieve higher-level program results (USAID, 2000).

The concept of institutional capacity is constantly changing. Institutions are not just discrete organizations (e.g. government agencies), but also, more generally, are sets of rules, procedures or practices that prescribe behavioural roles for actors, constrain activity, and shape expectations (Keohane, 1988). Institutions are durable; they are sources of authority (formal or informal) that structure repeated interactions of individuals, companies, civil societal groups, governments and other entities. Thus, institutional capacity represents a broader “enabling environment” which forms the basis upon which individuals and organizations interact. In this context, training individuals

and strengthening organizations can only succeed in the long term if it is consistent with existing institutions, or if it helps transform these institutions, so that actions are based on rules, processes and practices that can be sustained over time (Willems and Baumert, 2003).

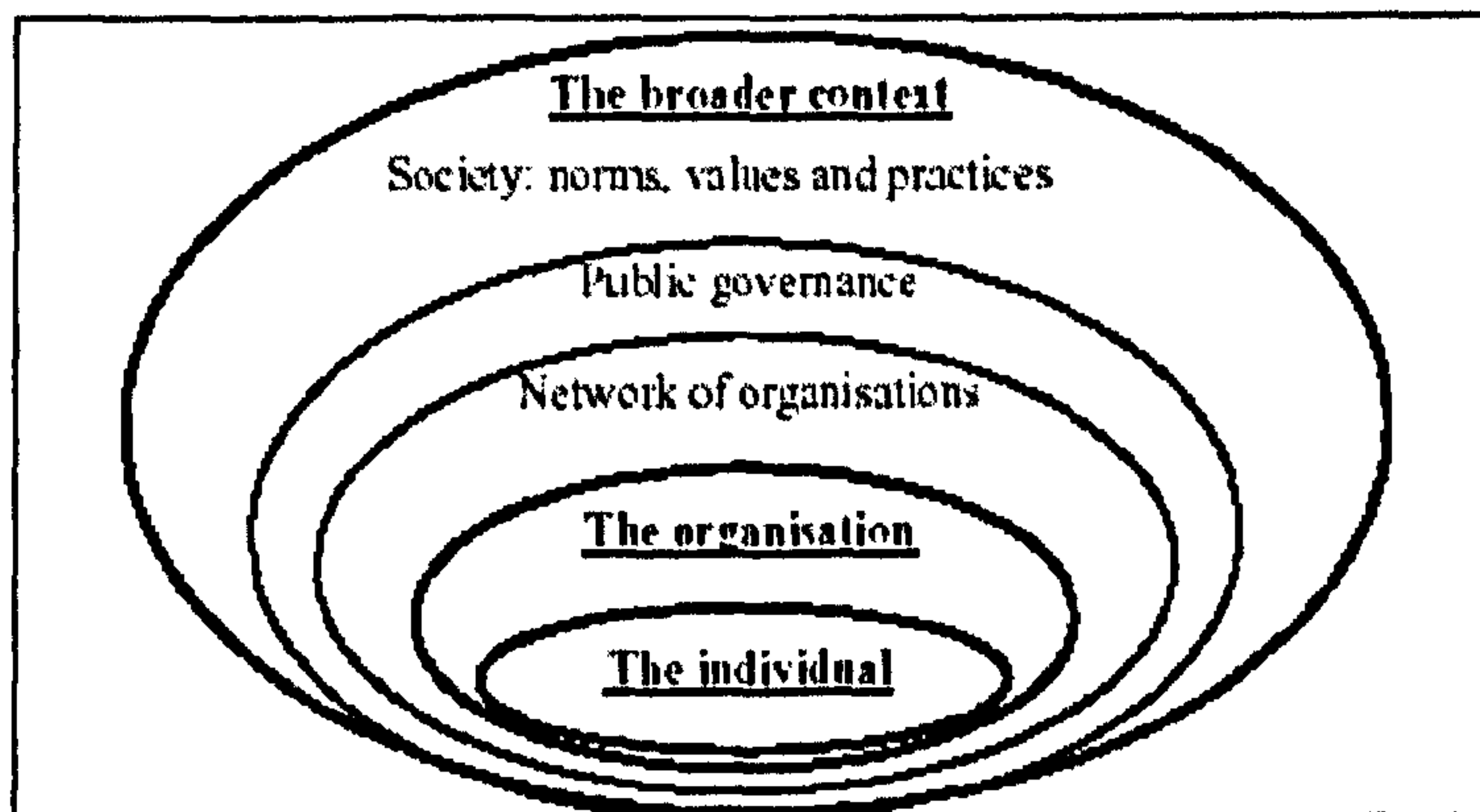
The existing approaches to defining and studying institutional capacity can be classified under three main headings: systemic approach, functional approach, and constituent approach. I have used a combination of these three approaches to define my operationalisation of administrative capacity.

The *systemic approach* is based on the notion that institutional capacity has developed over time:

“the concept of institutional capacity is a moving target since the field has evolved over the years from an initial focus on building and strengthening individual organizations and providing technical and management training to support integrated planning and decision-making processes between institutions. [...] Today, institutional capacity often implies a broader focus of empowerment, social capital, and an enabling environment, as well as the culture, values and power relations that influence us” (Segnestam *et al.*, 2002: 10).

This approach is characterized by the assumption of the inherently systemic nature of institutional capacity and conduct into a broader definition that distinguishes between three levels of institutional capacity (Forss & Venson, 2002 as quoted in Willems and Baumert 2003: 11): a micro level, i.e. the individual; a meso level, i.e. the organization; and a macro level, i.e. the broad institutional context. The broad institutional context itself includes three distinct levels. This means that there are five distinct levels of capacity, as shown in Figure 2.1.

Figure 2.1 A broader definition of institutional capacity



Source: Willems and Baumert 2003 adapted from Forss & Venson

Willems and Baumert warn that such a broad definition of institutional capacity, which includes social norms, values and practices, could be viewed as “blurring any distinction between *ability* and *willingness* to implement a particular policy or international commitment” (Willems and Baumert, 2003:15). They continue with a clear example of how this could happen:

“...a Party could argue that it has *in a narrow sense* the ability of taking on a particular commitment, because it has sufficient human and financial resources to do so, but that its own civil society is not ready to accept this particular policy, because of its own values or way of life. Is this national government not *willing*, or not *able*, to implement a particular policy or commitment?” (Willems and Baumert, 2003:17)

My research focuses on assessing the capacity an institution needs in order to implement a policy, and what factor causes variations in that capacity. In my definition of administrative capacity I do not include social norms, values and practices so as to avoid any of the “blurring” suggested by Willems and Baumert.

A second approach to institutional capacity, labelled a *functional approach*, is to analyse the functions that need to be performed in order to achieve a policy objective. Any policy process must include different functions in order to be successful. These functions can be grouped into three distinct phases of the policy process: (1) national assessment, strategies and goals; (2) policy design and implementation; and (3) monitoring,

reporting, review and enforcement. These phases may overlap in time, but essentially follow a logical order. The challenge of any policy process is to be able to perform all such functions in an efficient manner, given that they are interdependent. Thus, capacity is needed for each of these functions if the policy process is to be sustained over time (Willems and Baumert, 2003).

Willems and Baumert argue that in most countries there is often an imbalance in the capacities devoted to each of these clusters of functions. In some cases, most capacity development is devoted to the actual implementation of policies, with little capacity left for strategic assessment. This may result in the lack of a long-term view and in badly designed policies. A lack of capacity in the monitoring and reporting area may lead to difficulties in sustaining policy efforts, given that information that might improve policies over time would be lacking. In other cases, it may be that a sophisticated strategy has been formulated, but there are no means to implement it.

The *constituent approach* is the third approach that appears in the literature. It defines the concept of institutional capacity through a list of constituent elements. This is the case for, among others, Loubser (1993) and the United States Agency for International Development (USAID, 2000). The former compiled a list of the elements of capacity:

“specified objectives, including vision, values, policies, strategies and interests; efforts, including will (motivation, drive) energy, concentration, work ethic and efficiency; capabilities, including intelligence, skills, knowledge and mental sets; resources, including human (for collective participants), natural, technological (infrastructure), cultural and financial; and work organization, including planning, designing, sequencing and mobilizing” (Loubser, 1993: 23).

USAID, defines institutions as an organization, or a system of related components that work together to achieve an agreed mission. It therefore identifies a list of organizational components (Table 2.1), which is neither all-inclusive nor universally applicable to all organizations. Rather, the components are representative of those of most organizations involved in development work and will vary according to the type of organization and the context in which it functions. Consequently, the institutional capacity of the chosen

organization¹³ is given by the combination and performance in the areas which are fundamental for the organization to succeed in its task.

Table 2.1 List of components

AREAS	KEY COMPONENTS
Administrative and Support Functions	Administrative procedures and management systems; Financial management (budgeting, accounting, sustainability); Human resource management (staff recruitment, placement, support); Management of other resources
Resources	Human; Financial; Other
Technical/Program Functions	Service delivery system; Programme planning; Programme monitoring and evaluation; Use and management of technical knowledge and skills
Structure and Culture (Political Organization)	Organizational identity; Vision and purpose; Leadership capacity and style; Organizational values; Governance approach; External relations

Source: USAID Center for Development Information and Evaluation (2000).

Finally, some authors have suggested that institutional capacity might be the result of the combination of two or more areas/dimensions. Joseph White (2003) argues that

“[g]overnment institutional capacity has two dimensions: whether the instruments of government per se are adequate to a task, and whether a specific government has the necessary powers and resources” (White, 2003:6).

Defining institutional capacity as the result of instrument/tasks and power creates a tautological process that does not leave space for intervening variables. Indeed, if both the political power and the administrative tasks are incorporated in the definition as being equally important, there will be nothing left to hypothesize what influences the functioning of the government instruments. This is the main reason why my investigation is divided into two parts, which disentangle the administrative sphere from the political (cf. Section 2.3).

¹³ Local and international nongovernmental organizations (NGOs) and other civil society organizations (CSOs); Community-based membership cooperatives, such as a water users group; Networks and associations of organizations; Political parties; Government entities (ministries, departments, agencies, subunits, policy analysis units, health clinics, schools); Private sector organizations (financial institutions, companies, small businesses and other for-profit organizations); Regional institutions

2.2.3 Administrative capacity in my study

As shown in the previous section, the definitions of administrative capacity found in the literature are too general and do not tell us very much about which activities should be performed. However, while investigating the broader concept of institutional capacity, I have found useful benchmarks and inspirations that will help formulate a novel definition of administrative capacity, which will allow us to measure the concept empirically.

In the context of Structural Funds policy, as in any other policy area, reaching a definition of administrative capacity requires an understanding of what it is that we are trying to achieve. Bearing this in mind should allow us to achieve a definition that is narrower, more operational and more oriented towards problem solving than the existing ones. Indeed, as Honadle points out,

“[d]efinitions of capacity vary to the extent to which they specify the activities that should be performed versus the results that are sought. It is unlikely that a consensus definition of “capacity” will ever be reached. Nevertheless, a reasonably integrated framework for pursuing this Holy Grail would help capacity builders map a sensible course” (Honadle, 1981: 575-576).

In pursuing such a goal, I suggest that administrative capacity is related to the ability of institutions to manage Structural Funds policy according to their own rules and procedures. I therefore propose that administrative capacity should be defined as being characterised by four key actions: (1) Management; (2) Programming; (3) Monitoring; and (4) Evaluation. As I have already stated, this choice is based on a combination of the three approaches emerging from the literature review, a thorough scrutiny of the principles and structures of Structural Funds,¹⁴ and an analysis carried out by Boijmans (2003). The four actions are defined in the following section.

The four key components of administrative capacity

I believe that high performance in the administrative area is determined by the functioning of the four key determinants defined above. Therefore, the intra-south

¹⁴ The relevance and part of the definition of the four key components are suggested by Council Regulation n.1260/99, n.2052/88, n.2081/93.

variation we observe in Italy could be explained through the analysis of each key determinant within the regional government.

I will outline below the definition of, and the expectation associated with, each key component, in terms of improving Structural Funds implementation. I will also introduce the indicators suggested to measure the performance of each action. These indicators will be thoroughly discussed in Section 2.4.1

1) Management covers overseeing the correct implementation of the overall programme. In the case of the Structural Funds development programme, the responsibility for each single Operational Programme is allocated to the Managing Authority (MA), which are appointed by the Member States (Council Regulation n. 1260/99, Art. 9). The responsibilities and power of the MA have increased over time. Their tasks cover the implementation, correct management and effectiveness of the programmes (collection of statistical and financial data, preparation and transmission to the Commission of annual reports, organization of the mid-term evaluation, etc.). The establishment of a MA at the regional level, which is in charge of the overall management of the funds, is necessary given that there are many actors and departments involved. Indeed, each department will pursue the implementation of the funds allocated to it. In fact the funds cover various areas of intervention – natural resources, human resources, cultural resources, local development, agriculture, transport, environment, etc. – so it is necessary that the most appropriate departments are in a position to manage them. This could lead to a department acting in an isolated fashion and dealing only with its own part of the funds, without an overall vision of the whole programme. It is necessary that the funds are implemented following an integrated logic among the various departments. This is possible if the regional MA provides an efficient horizontal coordination.

A second element that emerged from a thorough examination of primary and secondary sources¹⁵ is the unclear division of responsibilities in day-to-day

¹⁵ Documentation used includes the evaluation reports of other European Union Objective 1 regions. I have been working for a consultancy firm appointed by the European Commission to carry out the

activities. This uncertainty leads most of the time to a duplication of workload and confusion. Indeed, a survey carried out in 2003 by ÖIR, Managementdienste GmbH, provided evidence to suggest the following:

“When management structures are clearly defined, with roles and coordination processes well implemented, the system works well. In the case studies that have been completed for this survey, this is the situation in Alentejo, Burgenland, Ireland, Saxony, Spain, Valencia, Portugal POE, Italy, France, Lorraine, East Midlands, Bavaria, Veneto. This is not to say that there are no problems in these regions, but there exists a solid basis on which to resolve the practical problems as they emerge. Where management structures are not clearly defined, as for example in cases where newly devolved structures are just being implemented, there are problems. This is clear from the case studies of Wales, Greece Transport, Finland, Central Macedonia.” (ÖIR, 2003:129)

Taking into account the above observation, I propose two indicators, which can measure the functioning of the Managing Authority, namely:

- a) coordination between each level involved; and
- b) clarity of the roles carried out by personnel.

Through the measurement of these indicators, we can understand the degree and quality of management present in each region.

- 2) Programming is conducted on a multi-annual basis and involves the determination of objectives to be achieved against the background of an analysis of the socio-economic context, SWOT analysis (Strengths, Weaknesses, Opportunities and Threats), and the identification of priorities and measures capable of converting these objectives into projects, in which to invest the available funds. If the identification of the priorities is incorrect, it will be difficult to spend the resources. Programming is not just at the heart of the Structural Funds implementation system, but is a key factor in any public policy. Although the principles and the main concept of programming have not changed over the three periods considered, the demands on the quality of the programme documents have

increased significantly. A primary factor that influences the implementation of resources is the preparation of the multi-annual development plans,¹⁶ based on national and regional priorities, which include two fundamental requirements: program design and program decisions. In the first case it is necessary to have: a precise description of the socio-economic context of the region (disparities, lags, potential development) based on a SWOT analysis; a determination of the most appropriate strategy for achieving the previously identified objectives; and indications as to the use and form of the contribution from the Funds. Secondly, it is important that the time lapse between the approval of the national document and the regional document is as short as possible to avoid wasting time.¹⁷

In light of the above remarks, I suggest the following two indicators, in order to measure the functioning of the programming activities:

- a) program design; and
- b) program approval.

3) Monitoring aims to ensure that projects are implemented according to agreed strategic priorities. It involves an exhaustive and regular examination of the resources, outputs and results of public interventions, based on a system of pre-established indicators. It verifies the sound management of the interventions and produces a regular analysis of the progress of programme outputs (Council Regulation n. 1260/99, Art.36).

The logic behind monitoring is two-fold. First, it gives the MA updated information on the pace of expenditure, so that it can intervene and adjust the implementation in progress in case of problems or delays. The need for a monitoring system has always been stated in the regulations, but in the first two

¹⁶ The Member States submit programming documents to the Commission following its general guidelines. Programming documents can take the form of Community Support Frameworks (CSFs) translated into Operational programmes (OPs), or Single Programming Documents (SPDs), comprising a single document approved by the Commission, which combines information on the overall plan and the indication of how the OP will be implemented. For Objective 1 regions a CSF is required at the national level which is then translated into operational programmes at the regional level, i.e., Regional Operational Programmes (ROPs).

¹⁷ This is because the national development plan is set for a period of five years (or more), and so the regional plan needs to respect that timeframe in terms of start and end dates.

planning periods its role was not clearly defined. It was in the latest planning period, 2000-2006, that it became a crucial element in the implementation of the funds. Detailed monitoring of a multitude of indicators measuring the output, results and impact of each measure has resulted in a significant data management challenge for programme implementation. Where the monitoring activities have been carried out properly this has favoured the implementation of the programme and expenditure of resources.

I suggest the following indicators to assess the functioning of the monitoring system:

- a) Introduction of a system of indicators and of monitoring procedures responding to nationally agreed standards.
- b) Guaranteeing the availability of financial, physical and procedural data.¹⁸

4) Evaluation judges programme implementation on the basis of the outputs, results and impact on society.

“The purpose of evaluation is to check the *raison d’être* of a public intervention, to confirm both reproducible success stories and failures not to be repeated.” (CEC, 1999c: 55)

The capacity to evaluate the results of the implemented resources is relevant at three different stages: *ex-ante*, *in itinere*, and *ex-post* (Council Regulation n. 1260/99, Art.40). *Ex-ante* evaluation serves to clarify the needs of the territory and

¹⁸The three monitoring types are as follows:

1) Financial data: Monitoring of the financial indicators concerning the effective costs incurred by final beneficiaries. The data, collected for each project and gathered by measure, are benchmarked with the financial plan (as detailed in the priority axis and measure) of each OP, both Regional and Sectoral, and Programme Complement. The financial indicators of performance are monitored on a quarterly basis.

2) Physical data: Monitoring of the project physical data, collected into a grid of shared indicators as stated by the CSF Managing Authority. Monitoring activities concern implementation, performance and impact indicators reported in the OPs and Programme Complements.

The performance and impact indicators are estimated during the evaluation on the basis of monitoring data available for each project and measure. The physical indicators of performance are monitored on annual basis.

3) Procedural data: Monitoring provided for all OPs, both Regional and Sectoral, up to the launch round of projects, and implemented through the definition of survey sheets by activity type and measure-based data-collection models. Data collected at project level (through a significance limit and the choice of the procedural pathway to be monitored). The procedural indicators of performance are monitored twice a year, on a six-monthly basis.

to verify the existence and nature of the problems within the territory; it helps to ensure that the final programme is as relevant and coherent as possible. The mid-term evaluation (*in itinere*) is performed halfway through implementation of the interventions, and it serves to highlight and adjust eventual deficiencies. An *ex-post* evaluation serves to examine whether the needs or problems still exist and whether the programme has achieved the expected results. *Ex-post* evaluation provides exceptional support and guidance to the administration in programming future financial interventions and organizing the implementation of actions so that subsequent programming cycles are successful. Therefore, where such a task has been carried out internally, the regional government is in a much better position to learn from past mistakes increase the rate of implementation in future programming efforts.

From my perspective, it is fundamental that the regional MAs have the capacity to evaluate - collect and analyse data - on a continuous basis. At present, evaluations are contracted out to private independent companies according to the dictates of the EU regulations. Thus there is a large reliance on the outside professional community for evaluation skills and competencies in providing independent analysis and aiding the regions in the process of institutional learning.

In light of the above remarks, two benchmarks appear to be adequate to gauge the functioning of the evaluation system:

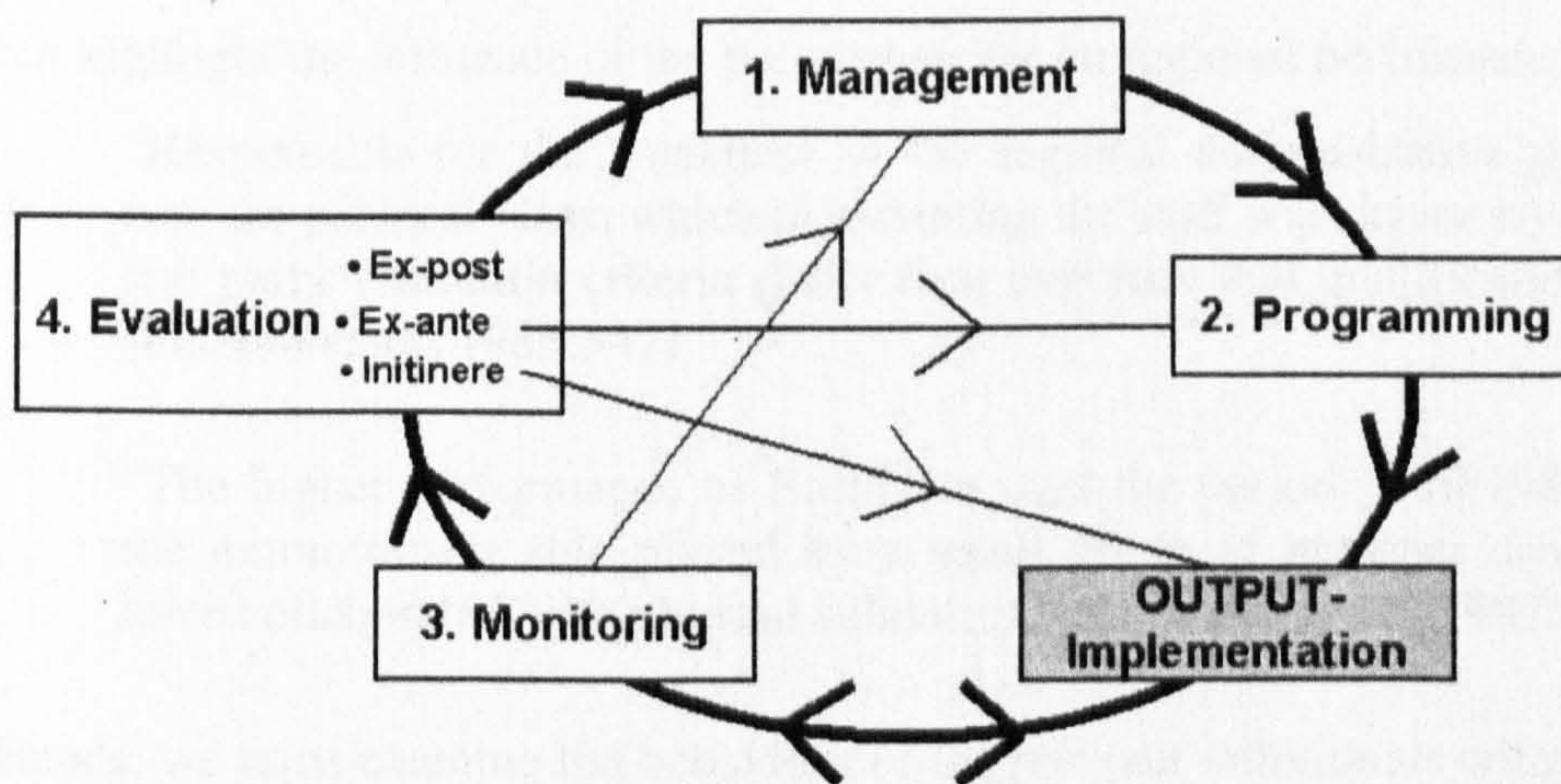
- a) Production of evaluation reports accordingly to the three stages in time;
- b) Integration of the evaluation method and culture in the implementation system.

It can be argued that other components of the administrative arena should be taken into account, but I will demonstrate that the ones included here are not only the most relevant in accounting for variation in the implementation of resources, but are also the tools the institution needs to deal with *any* public policy.

The administrative capacity loop

My definition of administrative capacity encompasses both the activities that the regional government should be performing and the results it should be achieving. Taken as a whole these actions create a framework which operates as a system – i.e. the key components are related to each other so that the outcome of each one is closely related to the other. This creates a loop where if every action is performed correctly, a high level of Structural Funds implementation occurs (Figure 2.2).

Figure 2.2 Administrative capacity loop



Note: In Figure 2.2, implementation represents the output of the four actions, which constitute administrative capacity.

In sum, a conceptual framework for administrative capacity should include all of these components. Individually, none can provide a sufficient definition of capacity.

2.3 Interlocked question: what determines the degree of administrative capacity?

Once I have tested whether the variation in Structural Funds implementation is determined by the regional administrative capacity (cf. Chapter 5) – i.e. the first part of the central hypothesis – my subsequent aim will be to find out which factors determine the degree of administrative capacity of a region, i.e. why administrative capacity varies across regions (cf. Chapter 6).

2.3.1 The definition of political factors

The second part of my central hypothesis concerns the role of internal political factors in contributing to variation of administrative capacity. In this context, my work finds strong support in two publications by Putnam, Leonardi and Nanetti, namely *La Pianta e le radici* (1985), and *Il Caso Basilicata* (1987).

The starting question of their research was: why do some institutions (regions) succeed and others fail? What they meant by “succeed” was the capacity of the institution to fulfil its goals in an efficient way in order to satisfy the various interests (Putnam *et al.*, 1985). The two studies answer this question by examining, respectively, contextual factors and endogenous factors.¹⁹ They do not only examine the socio-cultural aspects, but highlight the influence of the political factor on regional performance:

“Responsible for the weakness of the regional administrative performance was the political class, which in recruiting the staff was driven by clientelism and party affiliation criteria rather than expertise and qualification criteria.” (Putnam *et al.*, 1985:347)

“The higher performance of Basilicata over the period 1970/1984 is due to the extraordinary role played by a small group of regional *dirigenti*, who have collaborated with unusual solidarity.” (Leonardi *et al.*, 1987:32)

Hence, we must examine the behaviour of the relevant individuals within the institutions to understand how they may influence the degree of administrative capacity. Much of the literature on public institutions is concerned with how politics and political interests with competing agendas constrain institutions’ technical capacity:

“It is rare to encounter a significant instance where political leaders make serious and concerted attempts to structure institution for the explicit purpose of increasing its capacity to design and implement policy in a particular domain.” (Desveaux, 1995:7)

The above was the case for southern Italian regional government. As I mentioned in Chapter 1, Simona Piattoni (1997, 1998a; 1998b; 2002), among others, has extensively studied political aspects and reached the conclusion that

¹⁹ Contextual factors are: socio-economic development; political culture; and social stability. Endogenous factors are: conflict within the regional government (*giunta*); conflict within the regional legislative body (*consiglio*); and external conflict with the national and local government.

“the explanation of the differentiation in policy efficiency among various regional governments does not lie in their formal institutional layout, which is identical, nor in their informal institutional capacities, be they embodied in civiness or strong regional identity. Rather, it lies in the different capacity and willingness of the regional political class to promote the adequate requirements for implementing the funds.... Politics, far from being irrelevant or altogether deleterious for southern development, has played a fundamental role in the development of the most successful southern regions” (Piattoni, 1998b: 50).

Similarly, Felia Allum and Marco Cilento (2001) successfully tested the hypothesis that the charisma, personality and commitment of politicians can have a genuine effect on the improvement of regional performance. In their article, “Parties and Personalities”, which recounts the case of Bassolino, former Mayor of Naples, they show how the charismatic leader carried out the so-called “Bassolino revolution” to change the city fundamentally. He introduced a new form of leadership, a new style of governing and a new style of policy-making, which demonstrated the novel form of development that was possible in Naples.

On the specific issue of regional policy implementation, Mark Smyrl (1997) has identified two factors that seem to improve the effectiveness of regional empowerment in the implementation process: political engagement within and on behalf of the region, and the institutional capacity to build and sustain a Regional Policy.

Regional empowerment required political engagement in two senses. Firstly, regional political leaders had to be prepared to act as animators on European issues, mobilizing economic and social interests. Secondly, national state actors working with the region on CSF programmes had to define their function as a proactive “bridge” linking to Brussels rather than as a “gatekeeper” barring the way. They too needed to recognise their role as mobiliser (in this case of state services on behalf of the region) and as external spokesperson, and to identify in those roles a greater potential for influence than derives from the more formal, “gatekeeper” function.²⁰ According to Smyrl, the empowerment

²⁰ An example is the Scottish Highlands and Islands Objective 1 program prior to and after 1997 (Leonardi, 2004).

of the regions heavily depends on whether, and if so how, opportunities are perceived at the regional level and on the constructive (or unconstructive) way in which regional political leaders and regional state officials respond to those opportunities.

Following this strain of literature, my hypothesis on the relevance of the political factors suggests that the political component exercises an impact on the administrative machinery and consequently on the policy output and outcome. Therefore, the aim of my study is to characterize a model of political behaviour that influences the key actions of administrative capacity and eventually determines its variation across regions. The political aspects I will consider – i.e. political interference, government stability, and political accountability – are defined as follows.

Political interference refers to the restrictive or disruptive and invasive action of the political class towards the administrative sphere. It is benchmarked by the formal and informal separation of powers and responsibilities between the two spheres of activities. In order to be capable of saying what a public organization will do (and how it will do those things) we must first have some conception of *who* will perform its tasks and for what purposes. There should be a clear distinction between administrative responsibilities and the political arena of power. In Chapter 4 I will discuss the 1990 reform of public employment in Italy. Indeed, recognizing that a major source of delays and inefficiency was the working methods and general attitude both of the political class and the civil service, in 1993 (D.lgs. 29/1993) Italy embarked on a series of reforms, which it has pursued more strongly since 1998, whose aims were three-fold: (1) to depoliticize the civil service; (2) to separate the political sphere from administrative tasks; and (3) to instil new management practices across the Public Administration (PA) system. The outcome of these reforms was a formalization of the separation of power, under which the political leader cannot, in any circumstances, revoke, reform, reserve for himself, remove to a higher level, or otherwise adopt provisions or actions which are the responsibilities of an administrator. These reforms were first implemented at the national level and then put into practice at the regional level, although not all of the regions adopted it at the same time.

Government stability²¹ through the entire period of tenure – i.e. five years – ensures continuity and coherence in the programming process. I define a government as stable when it has an average of one or two cabinets for each five-year legislature. Conversely, a government is unstable if it has witnessed more than three cabinets in each five-year legislature, or if the *assessori* are turned over mid-way through the government's tenure. Political stability firstly acts as the basis for the credibility of the administrative context within which the efficiency of the implementation system is determined, and secondly creates the “glue” that unites civil servants in their pursuance of a common goal. Recurrent changes of government can negatively affect the programming of a long-term development plan in administrative systems that depend on political appointments to key policy-making positions. This is even more relevant in the case of the Structural Funds, whose use is based on a multi-annual programme. Regional governments that change constantly have more difficulty in maintaining a strong commitment to multi-annual programmes. Additionally, unstable governments are more likely to witness change, not only in the political class, but also in the civil servants responsible for sustaining development programmes. This is likely to cause a significant amount of discontinuity and delay in the overall administrative system. A multi-annual programme takes years to deliver results, while a cabinet that lasts less than a year can only deal with short-term matters. Furthermore, such a government would not invest in monitoring or evaluation activities, since a one-year lifespan does not allow for any adequate review of implementation performance or any opportunity to learn about how to improve the programme for the future.

Political accountability, in its simplest form, means

“the requirement of a public organization (or perhaps an individual) to render an account to some other organization and to explain its actions. Further, the accounting may be financial or administrative, or about the policy decisions that were made. Accountability, therefore, depends upon some external organizations to assess what it has been done and to evaluate it” (Peters, 2001:301).

²¹It is measured in terms of number of different cabinets installed in each region during the period of legislature.

In politics, and particularly in representative democracies, accountability is an important factor in securing good governance. Accountability constrains the extent to which elected representatives and other office-holders can wilfully deviate from their theoretical responsibilities. The goal of accountability is at times at odds with the goal of leadership. A constituency may have short-term desires that are at odds with long-term interests, in such context policy makers are likely to pursue their own political agenda and be interested in enriching themselves. This is particularly true in relation to Structural Funds implementation, which not only is based on a long term planning but also can be used by the political class to finance projects, which do not always represent a priority for regional development but are useful in building consensus for other goals. Therefore, a political class that is not accountable will try to manipulate every form of information and publicity seen by the public about the use of the funds. The purpose of monitoring and evaluation systems is to feed this information to the MA, the national government, the EU and ultimately the public. The presence of efficient monitoring and evaluation procedures over policies adopted and implemented leaves policy makers less able to divert resources to other goals and to or use them for self-interested purposes. I believe that political accountability influences monitoring and evaluation practices – i.e. the less accountable a political class is, the more it will be trying to obstruct forms of monitoring or evaluation activities, despite the fact that the less information there is available on the policy implemented, the lower the flow of resources will be.

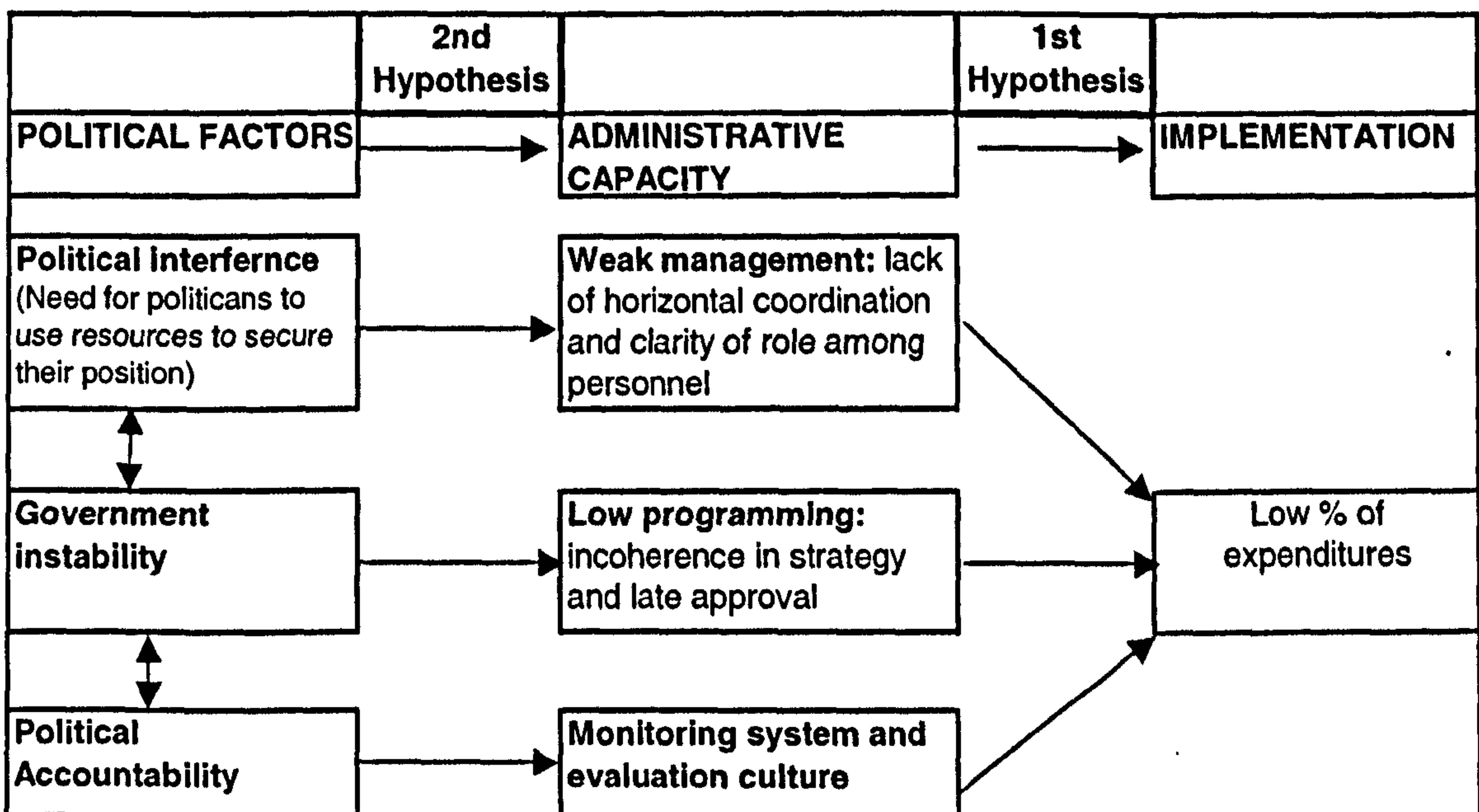
2.3.2 The role of political factors in administrative capacity variation: model of analysis

My model of analysis suggests that each of the three political aspects influences each of the key components of administrative activity. Through the analysis of the case study, I will test the following corollary relationships (Figure 2.3):

1. Strong political interference increases deficiency in management on the part of the MA;
2. High governmental instability might accounts for poor programming and follow-through on implementation;
3. Political accountability affects monitoring and evaluation practices.

Furthermore, as anticipated, I believe that the three political factors are strongly interconnected. Indeed, I expect to find that in a region where the government is unstable, the political class will act in an interfering manner in order to pursue its own short-term interests during its tenure, and will not be accountable for its action. *Vice versa*, I presume that where the government is stable, the political class will be less inclined to interfere and will act to pursue the long-term interest of the region and its own political status.

Figure 2.3 Model of analysis: Interaction between political factors and key administrative components.



One might argue that other factors could be responsible for the different degrees of administrative capacity. Indeed, in scrutinizing the literature, I find that three main explanations exist: (1) education; (2) centralization of policy by the government, which has impeded a development of capacity at the regional level; and (3) corruption. In the next paragraph, I will review each of the cited explanations, and will test them in my selected case studies. The test is performed in order to verify whether those explanations provide an exhaustive clarification. If they do not, then I will continue to investigate my hypothesis.

2.3.3 Alternative explanations: education, centralization, corruption

Education level

In the literature considering the factors that could determine different degrees of capacity within institutions, some authors (North, 1992; Berg, 1993) advocate the relevance of the educational and training system. Indeed, as discussed in Section 2.1,

North argues that:

“Administrative capacity has to do with personal capacity, thus any administration is staffed with civil servants, therefore it is their capacity which ultimately determines service delivery and the general performance of a civil service in executing its primary functions” (North, 1992: 6).

Similarly, Berg (1993:62) regards capacity building as characterized by three main activities:

“skill upgrading - both general and job-specific; procedural improvements; and organizational strengthening”.²²

Here Berg refers to the gradual increase in the inherent capacity of civil servants as they apply themselves to the execution of the daily duties to which they are assigned. This follows the comparatively recent emphasis on capacity building as an integral part of civil service reform – a “discovery” which highlights the fact that, in the process of establishing the administrative machinery of government, the important issue of human resource development has often been overlooked.

The definition discussed so far seems to point to the educational and training system as the variable that determines capacity. Although this seems a plausible explanation, I will argue that it is far from exhaustive. The reason why I consider that education is not in itself a fully satisfactory explanation lies in the analysis of the educational characteristics of the personnel in the two selected case studies. Table 2.2 presents the educational level of each region.

²² Under “skill upgrading” he includes general education, on-the-job-training, and professional training in crossover skills such as accounting, policy analysis and information technology; “organisation strengthening” covers the process of institutional development; “procedural improvements” refers to general functional changes or system reforms.

Table 2.2 Indicators of educational levels of regional personnel in different years

Indicators	Sicily	Basilicata
Personnel who hold a degree (1991)	90%	87%
Personnel who hold a high school degree (1996)	87%	90%
Personnel who holds a university Degree (2003)	70%	68%
Regional expenditure in personnel training (1995-2002) as % of GDP	0.20	0.24

Source: ISTAT

Sicily and Basilicata have similar scores on most of the indicators considered. This should indicate that administrative capacity is similar in both regions, but the assessment I perform in Chapter 5 confirms that this is not the case. Furthermore, a close study of the education of the administrative class reveals that in both Sicily and Basilicata the civil servants have been trained to develop an understanding of the Structural Funds rules and regulations.²³

Indeed, the authors who consider education to be the determinant variable for capacity level are misled by the important distinction between personal and non-personal capacity, which is identified by Mentz (1997). In his work, Mentz argues that the educational system plays a crucial role in capacity building because it fosters personal capacities. But he adds the following:

“This capacity will also be influenced by the normal interaction of all individuals working in a specific section, division, department or ministry”. While personal capacity *has to do with people*, “non-personal capacity is that of the organization as a whole, which provides the context in which personal capacity is developed and used.” (Mentz, 1997:10-11)

It is in this sense therefore that administrative capacity should not be studied in isolation but should be regarded as an integral part of the political process. This assumption corroborates my hypothesis that the features acquired by the political and administrative spheres can determine variation in capacity.

²³ This fact was confirmed during the fieldwork carried out in both regions. It is not based on secondary source evidence but on the self-declaration of each civil servant interviewed.

National government influence

A second competing explanation which is supported by many authors (Gualini, 2004; Marks, 1996) suggests that the reason for poor regional administrative performance can be explained in many cases by investigating the role played by the EU and the national government. Indeed, a centralized approach to regional policy, where the national government acts as a gatekeeper strongly constrained the potential of the regional level to develop its own capacity. Although this might be true to some extent, I will demonstrate that it cannot be used as an explanation in the case of southern Italian regions because all of the regions have been subject to the same centralized approach which ended at the same time (cf. Chapter 3 and 4). Conversely, it reinforces my hypothesis that the intervening variable, which accounts for the variation in administrative capacity must be found within the region. This affirmation will bring back the issue of social capital, but I will not need to explore that further because, as I have mentioned already in Chapter 1, Putnam (1993) has already established the similarity between the two selected case studies, Sicily and Basilicata.

Corruption

There has been a growing interest in the subject of corruption, as policymakers and academics have traced its impact on economic growth and quality of governance (Thomas and Meagher, 2004). In a world in which governments do not always act in their citizens' best interest, corrupt politicians may be expected to spend more public resources on those items on which it is easier to levy large bribes and keep secret. As Mauro (1995; 1996; 1998) shows, corruption does indeed affect the composition of government expenditure. In particular, education spending is found to be adversely affected by corruption. Both economic theory and common sense suggest the types of government expenditure that provide opportunities that are more lucrative.

However, measuring any corrupt practice is difficult because corrupt behaviours are usually criminal and take place in private. Because of the variety of types of corrupt practices, and the impossibility of directly measuring any of them, all measures of corruption are partial measures. Efforts to assess corruption have focused primarily on survey data of perceptions or experiences. Perception questions ask interviewees to rate

the levels of corruption in particular government agencies, or to report whether they think levels of corruption have gone up or down. However, public perceptions may not be well informed. Experience questions in surveys ask interviewees how frequently and to what government agencies they have paid bribes. While surveys targeting personal experience may produce more reliable data, people may hesitate to report their own involvement in corrupt activities (Thomas and Meagher, 2004).

This uncertainty about the corruption index and its impact is the main reason for not considering this factor a valid explanation. Indeed, the vast literature on southern Italy, and on Sicily in particular, looks at corruption as the prime reason for institutional output, but again this affirmation is close to being speculative, rather than giving us a generalizable explanation. Furthermore, Pantaleone's (2003) analysis of the presence of the *mafia* in Basilicata seems to corroborate the practice of corruption²⁴ there too (cf. paragraph 3.4.2). Therefore I exclude this variable from my analysis and I will be looking for more empirically measurable variables.

Along with corruption, one could look at the criminality index. Sicily has a much higher index than Basilicata.²⁵ Criminality is considered to be among the main factors that have impeded economic development (Centorrino e Ofria, 2001; Censis, 2002). It might therefore account for the economic backwardness of Sicily. However, in this thesis I am not interested in finding the factors which account for different economic developments (outcomes), I am interested in those factors, which account for different institutional

²⁴ Some recent headlines report: "A round-up of leading politicians, lawyers and *mafiosi* accused of collaborating to cheat the State has shaken Italy's southern backwater of Basilicata. They are the result of an investigation lasting three years, documented in an 800-page report. The report chronicles how politicians across the political spectrum, including both Silvio Berlusconi's Forza Italia and the former communist Left Democrats, colluded with confirmed gangsters to ensure that public works contracts were awarded only to firms linked to the Mob. The politicians were rewarded with bribes and guaranteed election votes. Those fingered constitute a roll-call of the region's top dogs. They include Filippo Bubbico, the president of the region, a member of Left Democrats and the most powerful man in Basilicata; Gianfranco Blasi, a MP with Forza Italia and the party's organiser for the south of Italy; the heads of two top lawyers' organisations in the region, and a mayor and former mayor of Potenza, the regional capital. The president of Basilicata's penal chamber, Piervito Bardi, was arrested and accused of feeding gangsters with information about investigations against them" (BBC News, Monday, 22 November, 2004, 18:14).

²⁵ According to the ISTAT data, the index of criminal activity carried out by organized crime in the period 1995-2001 varies in Sicily from 14.2 to 13.1% and in Basilicata from 6.4 to 7.8%

outputs (resource expenditure). The object of my investigation is the regional government and the dynamics within it.

2.4 Method of analysis

2.4.1 Measurable indicators of administrative capacity

My analysis will follow two main steps. First of all I will assess the degree of administrative capacity in the selected regions in order to test the first part of my central hypothesis that there is a positive correlation between capacity and Structural Funds expenditure rates. Secondly, I will explain why capacity varies across regions – i.e. the second part of the central hypothesis.

In order to perform the first part of the analysis, I need to have adequate indicators to assess the degree of capacity within a region with regard to Structural Funds implementation. Table 2.3 shows the indicators for the administrative arena, which have been deduced according to the definition of the objective that each key determinant aims to reach. The indicators have been selected in order to guarantee comparability across organizations and over time. The method chosen to measure the performance of each key component, following progressive stages, is an adaptation of the Institutional Development Framework Method²⁶ (IDFM) used by the Centre for Development and Evaluation of USAID (2000). There are four identified stages of administrative capacity along a capacity development continuum: Absent, Starting, Developing, and Consolidated. The criteria for each progressive stage have been adjusted to the expectation for each phase.

²⁶ I have made some changes to the original IDFM in order to adapt the methodology to my study. Indeed, the four stages of the IDFM are: Start up, Development, Consolidation, and Sustainability. In my analysis the four stages start from a lower level – i.e. Absent – because after performing the fieldwork it was clear that many capacities were not present in the regional administration when the cohesion policy was introduced.

Table 2.3 Indicators and progressive stages in benchmarking administrative capacity

Key components	Indicators	Absent	Starting	Developing	Consolidated
1. Management	a) Clarity in the definition of role	Staff roles and responsibilities unclear and changeable	Staff roles and responsibilities vaguely defined	Staff roles and responsibilities defined	Roles of personnel well defined; Staff increasingly able to shape the way in which they participate in management
	b) Coordination and cooperation between departments	Poor inter-staff and inter-department communications; Lack of formal and informal channels.	Modest amount of inter-staff and inter-department communication; Emergence of formal channels for dialogue and decision-making	Communications are open and inter-hierarchical; Formal and informal channels established and utilized	Organization periodically reviews communication flow to ensure free flow of information through both formal and informal channels
2. Programming	a) Program design: SWOT Analysis	Absence of a SWOT analysis	Introduction of a SWOT analysis; important territorial problems still overlooked.	SWOT analysis is supportive of the programme, although interventions selected still not fully targeted.	SWOT analysis is thorough. It allows full correspondence between the budget and targeted territorial needs
	b) Programme approval: time lapse between the beginning of the CSF and approval of the ROP	Approval of the ROP significantly delayed (by over two years)	Approval of the ROP delayed by up to two years.	Delay in the ROP approval contained to 1 year	ROP starts within six months
3. Monitoring	a) Introduction of a system of indicators and monitoring procedures responding to national/European agreed standards	No monitoring system	System has been introduced but indicators and procedure are not functioning properly	Indicators and procedure are coherent with national/European guidelines but still not fully operational	Indicators and procedure are coherent with the national/European guidelines and fully operational
	b) Guaranteeing the availability of financial, physical and procedural data	No data available	Only partial data available	Data available without much delay	Data available and used in support of the policy process
4. Evaluation	a) Production of evaluation reports	No reports produced	<i>Ex-ante</i> report produced, but no <i>initinere</i> or <i>ex-post</i> report	One report still not produced	All three reports produced
	b) Integration of evaluation method and culture into the system	The evaluation method considered time consuming and not useful	Although considered important, it is too difficult to perform	Evaluation performed as thoroughly as possible	Evaluation considered a fundamental tool to improve policy implementation

Each indicator will be rated on a scale from 0 to 3, as follows: 0 = Absent; 1 = Starting; 2 = Developing; 3 = Consolidated. Consequently, all components will be averaged together to provide a summary score for the administrative area (Table 2.4).

Table 2.4 Range of scores for each area

Score	0 – 0.5	0.6 – 1.5	1.6 – 2.5	2.6 – 3.0
Stage	Absent	Starting	Developing	Consolidated

The rating scale will be calculated for each key component and then for the overall activity.²⁷ This will provide a comprehensive indication of where the institution is in its stage of development for that particular key determinant and for its overall approach to administration. The four final stages are defined below (Table 2.5).

Table 2.5 Progressive stages of administrative capacity

	Absent	Starting	Developing	Consolidated
Administrative capacity	Most of the components measured are non-existent. The output produced is very low.	Administrative capacity is in the early stages of development. All of the components measured are in rudimentary form. The output produced is low.	Administrative capacity is developing. Structures for management, programming, monitoring and evaluation practices are in place and functioning. The output produced is medium/high.	Administrative capacity is fully functioning and sustainable. The output produced is high.

2.4.2 Case study

The core of the methodology presented here is an in-depth case study. The purpose of the case study is to provide a thorough insight into the specific administrative features that prevail in the selected regions and to provide a basis for comparative analysis based

²⁷ Two issues will be taken into account, accordingly with the rules of measurement of institutional capacity suggested by USAID 2000: "1. **Quantification.** Using numbers to represent capacity can be helpful when they are recognized as relative and not absolute measures. Many tools for measuring institutional capacity rely on ordinal scales. Ordinal scales are scales in which values can be ranked from high to low or more to less in relation to each other. They are useful in ordering by rank along a continuum, but they can also be misleading. Qualitative descriptions of an organization's capacity level are a good complement to ordinal scales; 2. **Internal versus external assessments.** Some tools require the use of external facilitators or assessors; others offer a process that the organization itself can follow. Both methods can produce useful data, and neither is automatically better than the other. Internal assessments can facilitate increased management use and better understanding of an assessment's findings, since the members of the organization themselves are carrying out the assessment. By contrast, the risk of bias and subjectivity is higher in internal assessments. External assessments may be more objective. They are less likely to introduce internal bias and can make use of external expertise. The downside is that external assessors may be less likely to uncover what is really going on inside an organization". Having participated in a number of external assessments of regional administrative activity, I do not fully agree with the later observation.

on empirical facts in order to generate evidence to validate my hypothesis for the conclusions to be reached. One of the major benefits of the case study approach is that it facilitates the presentation of processes and complexities that are impossible to see in any other way. This is most useful in testing a theoretical hypothesis against a detailed insight into the reality of daily actions in the field (OIR, 2003:33; ISFOL, 2002). An in-depth case study provides a clear view of the way in which the administrative machinery operates and how it affects institutional performance.

Case study research excels at bringing us to an understanding of a complex issue or object and can extend understanding or add strength to what is already known through previous research. For the purpose of the hypothesis I aim to test, which has not been previously investigated, the case study and associated fieldwork are essential in providing original information that may validate my hypotheses.

Critics of the case study method believe that the study of a small number of cases cannot establish reliable findings that can be applied generally. Others feel that the intense exposure to study of the case biases the findings. Some dismiss case study research and say it is useful only as an exploratory tool.

In order to use the case study method optimally and successfully, I will follow four fundamental steps in organizing and conducting the research:

- 1) Defining the research questions and the hypothesis; selecting the case study that is of most use to us in answering the questions;
- 2) Determining data gathering and analysis techniques;
- 3) Collecting data in the field;
- 4) Evaluating and analysing the data.

The first step has already been completed. The two case studies were chosen to ensure the representation of two contrasting performances: Sicily is an example of low implementation of the funds; Basilicata has the highest implementation rate.

2.4.3 Data collection

The data collection is based on three methods to ensure reliability of findings: (1) document analysis; (2) interview data – questionnaires, focus groups, semi-structured interviews; and (3) direct observation (Johnson, 2005: 185-304).

The originality of the data collection is based on a questionnaire designed in order (i) to assess regional administrative capacity in terms of the selected indicators; and (ii) to investigate the eventual relationship between the administrative key actions and the correlated political factors. The questionnaire was divided into three sections, one for management, the second for programming and the third for monitoring and evaluation. Each section was divided into two parts: the first assessed the administrative components; the second asked relevant questions about the political factors (Annex II). The respondents to the questionnaire were the politicians and civil servants involved in the implementation of Structural Funds. Based on the questionnaire, I also designed an interview guide to support semi-structured interviews with key actors within the regional government, including both administrative staff and political leaders (cf. Section 2.3.4).

Like other analytical approaches (OIR, 2003) the case studies were conducted over three stages as follows.

Stage 1: Deskwork involving a detailed review of all primary source documentation associated with the region concerned – i.e. the CSF 1989-1993; CSF 1994-1999; CSF 2000-2006; CSF *ex-post* evaluation 1994-1999; CSF Intermediate Evaluation 2000-2006; Plurifond Operational Programme (POP) 1989-1993; POP 1994-1999; Regional Operative Programme (ROP) 2000-2006; each POP and POR *ex-ante*, *ex-post* and intermediate evaluations for each period;²⁸ the annual reports on Structural Funds implementation produced each year by each regional administration; and all of the available documentation produced by each regional and national Monitoring Committee on the status of Structural Funds implementation.

²⁸The same external evaluator, namely, Ernst & Young, carried out the intermediate evaluations for Sicily and Basilicata.

Stage 2: Fieldwork in the selected region involving consultation with members of the MA, general managers, civil servants, and relevant political assessors (*assessori*) involved in Structural Funds implementation. In detail, in Sicily, I interviewed three assessors and seven general managers, who also completed the questionnaire. In addition, the questionnaire was completed by one assessor, eight general managers and 10 civil servants, reaching a total of 29 opinions (Annex I, Part I). In Basilicata, I interviewed two assessors, 17 general managers and managers, and seven civil servants. The written part of the questionnaires was returned by 10 managers and five civil servants, making a total of 41 completed questionnaires (Annex I, Part II). In both Sicily and in Basilicata the consultation covered all of the assessors involved with Structural Funds, all of the general managers, 75% of the managers, and 75% of the civil servants concerned with the policy.

The principal purpose of the fieldwork was to conduct interviews, to ensure the correctness and completeness of the desk-based research on the basis of the documentation available, to collect supplementary or additional documentation, and to determine the management, programming, monitoring and evaluation structure in place. The fieldwork represents the core of the research. Indeed, a preliminary analysis of the documentation revealed the lack of adequate information on the variable I am investigating and so the main source of information became the interaction and interviews with the key actors involved in Structural Funds implementation.

Stage 3: Consultations with relevant players in the regions via email, telephone and fax with a view to completing the analysis of the region and verifying the correctness of the analysis.

Further information, data and primary source evidence was also gathered from two main projects in which I have been involved. The first project, "The ex-post evaluation of the Plurifound Operative Programme (POP) in Sicily 1994/99", lasted one year and focused on analysing nine projects financed by the Structural Funds in Sicily between 1994 and 1999. The aim of the research was to single out administrative and political bottlenecks

in the implementation of those projects. The findings of the research are integrated into the *ex-post* evaluation report finalized by CENSIS (Center for Social Studies and Policies) in 2001.

The second main project, coordinated by the Economic Social Cohesion Laboratory, namely “The intermediate evaluation of the Community Support Framework Objective 1, Italy 2000/2006”, lasted 3 years. The fieldwork and research carried out over the period 2002-2005 aimed to scrutinize the performance of the seven southern Italian regions in implementing Structural Funds, by focusing on specific sectors of intervention – transport, rural development, research, tourism, professional training and territorial integrated projects. The results of the study were published in the final report, which was presented to the European Commission in December 2005.

Both these projects, particularly the latter, have been an essential support in enabling constant contact with both the central and the regional governments in southern Italy, providing original data and information. Indeed, through the projects I had the opportunity to conduct some interviews with the personnel of the Italian Ministry of the Economy and Finance (MEF), who are directly involved in overseeing the implementation of the Structural Funds (Annex I, Part III).

Table 2.6 shows the main correspondent source of information for each indicator. Other sources have also been scrutinized.

Table 2.6 List of main sources for assessing administrative capacity's key component

Key components	Indicators	Source
1. Management	a) Clarity in the definition of role	Essential documents: POP 1989-1993; POP 1994-1999; ROP 2000-2006; Intermediate, <i>ex-ante</i> and <i>ex-post</i> Evaluation Reports for each period; Annual reports on Structural Funds from 1989 until 2004; Interviews with key actors; All the relevant European, national and regional legislation (cf. References first source)
	b) Coordination and cooperation between departments.	List of essential documents; Interviews with key actors.
2. Programming	a) Programme design: SWOT Analysis	List of essential documents; Interviews with key actors.
	b) Programme approval: time lapse between the beginning of the CSF and approval of the ROP.	List of essential documents; Cabinet documents on decisions of approval; Interviews with key actors.
3. Monitoring	a) Introduction of a system of indicators and of monitoring procedures responding to national/European agreed standards.	List of essential documents; National Monitoring reports; Interviews with key actors.
	b) Guaranteeing the availability of financial, physical and procedural data.	List of essential documents; National Monitoring report; Interviews with key actors.
4. Evaluation	a) Production of the evaluation reports.	List of essential documents; National Evaluation report; Interviews with key actors.
	b) Integration of the evaluation method and culture in the system.	List of essential documents; National Evaluation report; Interviews with key actors.

2.4.4 Field research and questionnaire

Once in the field the data collected has be systematically stored in a format that can be referenced and sorted so that converging lines of inquiry and patterns can be uncovered. I have carefully studied the implementation of Structural Funds and identified causal factors associated with its variation. Therefore, renegotiation of arrangements with the subjects of the study or addition of questions to interviews was necessary as the study progressed. Case study research is flexible, but changes made have been documented systematically. The personal interviews have also been recorded.

The main analytical dimensions included in both the questionnaire and interview guide are the following:

- 1) Basic information on the organization and the interviewee: name, position held.
- 2) Description of the management activities: this is aimed at assessing management with a focus on the coordination activities and the clarity of roles among personnel; the questions are also retrospective, in order to capture any improvement or variation over the three different periods of analysis – i.e. 1989-1993; 1994-1999; 2000-2006. Some of the questions require self-evaluation of past administrative behaviour.
- 3) Investigation of the relationship between the political and administrative class: this is aimed at understanding whether there is a separation of power in the region and how the relationship between these two spheres influences Structural Funds management.
- 4) Analysis of the programming activities in terms of programme design and programme approval: this is aimed at investigating how the regional government has reacted to the novelty of the multi-annual planning approach introduced by the Structural Funds. Particular attention is given to: (i) the use of a SWOT analysis to link the interventions planned with the real needs of the territory; (ii) the time taken to approve the designed programme, in order to ascertain the reasons for eventual delays.
- 5) Description of regional government stability and of the eventual repercussions for the continuity of the Structural Funds programme.
- 6) Scrutiny of the monitoring and evaluation system: this is aimed at assessing how the monitoring system works and whether it is positively correlated with improvements in the implementation of Structural Funds. The two dimensions investigated are the setting up of a monitoring system and the availability of data. Similarly, the questions regarding evaluation activities aim to capture the perception of evaluation in the region and assess the spread of an evaluation culture.
- 7) Self-evaluation of the accountability of the political class: these questions ask the personal opinion of the interviewees on political accountability and eventually on

the influence that the political class might exercise in impeding or propelling the diffusion of monitoring and evaluation systems.

Table 2.7 presents a synoptic structure of both the questionnaire and the interview guide with selected key actors. It provides for each analytical dimension covered by the main questions, which were translated into Italian. The full text of the questionnaire and interview guide is presented in Annexes II and III respectively.

Table 2.7 Synoptic structure of questionnaire and interview guide

Analytical dimensions	Main questions
Basic information	Name of the interviewee; Position in the organization; Date of interview; Duration of interview
Assessment of the management activities	Which have been the major changes in the Managing Authority (MA) over the three planning periods? Which have been the major difficulties faced by the MA and how have they been solved? Describe the coordination activity carried out by the MA. Is there clarity of role between the different departments and within the departments as far as Structural Funds are concerned? Is there clarity of role among personnel?
Investigation of the relationship between the political and administrative classes	Define the interaction/relation between the MA and the political class. Has the separation of powers between the political and the administrative sphere had any impact on the Structural Funds management? Define the influence of political power on Structural Funds management before the Regional Law that formally separated it (12/1996 in Basilicata and 10/2000 in Sicily). Which level is more suited to managing the Structural Funds? Despite the formalized separation of powers, is there still political interference in the management of Structural Funds?
Analysis of the programming activities	Was the programme supported by a SWOT analysis? Were there previous experiences that guided the regional administration in adapting to the multi-annual planning approach introduced by Structural Funds? How has the programming capacity evolved over the three different periods 1989-1993, 1994-1999, and 2000-2006? What is the main cause of the delay in the approval of the Regional Operative Programme (ROP)
Description of the regional government stability	Does government stability affect Structural Funds programming? What kind of effect does it have? Which are the major problems in terms of Structural Funds programming related to eventual changes of government? Is the programme implementation strictly related to the government stability and continuity?
Scrutiny of the monitoring and evaluation system	Which were the major difficulties encountered in the establishment of a monitoring system? How has the monitoring system evolved during the three planning periods? Has an adequate system of monitoring indicators and procedures been introduced? If yes, which one? Does the monitoring system guarantee availability of up-to-date financial, physical and procedural data? Each planning period should be supported by an <i>ex-ante</i> , intermediate and <i>ex-post</i> evaluation. Have these reports been produced accordingly? Is the culture of evaluation spreading within the regional government?
Self-evaluation of the accountability of the political class	Is the improvement of monitoring and evaluation activities supported by political leaders? Does the political class openly support the practice of monitoring and evaluation? Has the political class propelled or impeded the diffusion of an evaluation culture? How would you define the perception by the political class of the practice of monitoring and evaluation?

2.5 Conclusion

In this chapter, I have discussed the first part of my central hypothesis – i.e. that differences in implementation are strongly connected to the degree of administrative capacity existing in a regional government. I have reviewed the existing literature on administrative capacity and seen that in the EU, emphasis on administrative capacity emerged as a result of the most recent accession process, where a large number of states with different administrative traditions were preparing for entry into the EU and targeted programmes were created to address the issue explicitly. Therefore, the issue of administrative capacity has become an important consideration during the recent years because it has become clear that not all regions or Member States have all of the necessary administrative capacity to effectively and efficiently implement Structural Fund programmes according to the rules and regulations established by the EU. Though the rules are uniform, the results have varied across Member States and regions.

However, neither a clear definition of administrative capacity nor a strong and coherent assessment model can be found in the existing literature. Therefore, by using the literature on institutional capacity, together with a thorough scrutiny of Structural Funds principles and policies, as well as the framework of multilevel governance, I have suggested a novel definition of administrative capacity. The latter is defined by four key actions: (1) Management; (2) Programming; (3) Monitoring; and (4) Evaluation.

I have also introduced the second part of the central hypothesis regarding the second interlocked question of this thesis, which asks why administrative capacity varies across regions. I suggest the relevance of political factors – political interference, government stability, and political accountability – in influencing the features acquired by the four key components of administrative activities. More precisely, I hypothesise that each of the three political aspects strongly influences each of the key components of the administrative area as follows:

- (a) Strong political interference increases deficiency in management;
- (b) High government instability accounts for poor programming;
- (c) Political accountability affects monitoring and evaluation practices.

Furthermore, I believe that these three factors are interconnected, and create a recurrent and self-reinforcing model. So, I expect to find that where the political class is unstable and tends to interfere, it also lacks accountability. I reinforced my assumption of the relevance of political factors by testing competing explanations, such as education, national government role and corruption. These three explanations do not appear to be exhaustive.

My plan is firstly to assess administrative capacity in the selected case studies on the basis of the proposed indicators (Chapter 5) in order to test the first part of the central hypothesis that there is a positive relation between the level of capacity and Structural Funds implementation. Secondly, I aim to explain why capacity varies across regions (Chapter 6). My chosen methodology is an in-depth case study supported by field research. The fieldwork is guided by a questionnaire designed to measure the selected indicators of administrative capacity and related political factors.

Before moving onto the empirical sections, however, I will present in the following part of this thesis a retrospective analysis of the different phases of Italian regional policy and the political and administrative reforms that have taken place over time. This will be structured to provide an interpretative framework for the case studies. The next chapter investigates the first period of regional policy in Italy, which covers the years 1950-1992. It presents an historical analysis of the establishment of the regions as administrative and decision-making units. It characterizes the Italian approach to regionalisation as a strongly centralized one, which left little autonomy for the regions in the areas of regional development. Rather than being an explanatory variable, this factor provides the two case studies with a common background.

PART II
BACKGROUND ANALYSIS

Chapter 3

The creation and evolution of regional government and regional policy in Italy: first phase 1950-1992

3.1 Introduction

In the first part of the thesis, I have discussed the two parts of my central hypothesis, i.e. that (1) differences in implementation are connected with the degree of administrative capacity existing in a regional government; and (2) variation in administrative capacity across regions might be influenced by three political factors; namely political interference, government stability, and political accountability. I reinforced my hypothesis on the political factors by testing competing explanations such as education, corruption and the national government role. With regard to this latter factor, the vast majority of the literature on Italy suggests that the centralized approach to regional policy, adopted by the national government, acted as an external constraint on building regional capacity. I argue that this action has equally affected all the southern regions, and so it is far from being an explanatory variable. Instead, what is relevant to understand is why some regions have reacted differently than others to this top-down approach, and have been able to implement the novel instrument of cohesion policy while others have not.

This chapter presents a retrospective look at the establishment of the regions as administrative units and of the different phases of Italian regional policy in light of European developments. This retrospective, while responding to a basic informative

need, is not intended simply as a chronological reconstruction. Rather, it is structured as an interpretative frame for two main purposes. The first is to understand the main features of the institutionalisation of Italian regions and their struggle to gain authority, in relation to regional policy and to the institutional crisis that took place at the beginning of the 1990s. The crisis was triggered by the challenges for institutional change emerging along with the progress of European integration. Secondly, it sets the administrative and political backdrop against which the region would later operate between 1989-2006 period in the management of the Structural Funds and interactions with the national and European level of government, in order to highlight that the two case studies presented in Chapters 5 and 6 are set into a common framework.

The chapter comprises three main sections. Section 3.2 will highlight the centralized, top-down, approach that distinguished the first phase of regional policy in the *Mezzogiorno* from 1950 to 1992.²⁹ It will reveal the constraints placed on the capacity of the regional level to engage in regional planning by the monopolization of decision-making and implementation exercised by the central level through the *Cassa per il Mezzogiorno*. In parallel, it will look at the process of the establishment and growth of regional governments, which occurred in two different stages. The first block of five special statute regions was created in between 1946 and 1964 (Sicily was the first in 1946), and the second block of the remaining 15 regions was set up in 1970 (including Basilicata). These dates and events are important to keep in mind because they overlap with both the creation of the Integrated Mediterranean Programmes (IMPs) (1986-1992) and the first cycle of Structural Funds, 1989-1993 (Section 3.3). It is important to understand what was happening during these years in Italy with regard to the creation and consolidation of regional governments, in order to comprehend the reasons behind their poor performance over that period.

Having established the national background in light of the European scenario in Section 3.4, I will analyse the cases of Sicily and Basilicata between 1946 and 1988. The chosen

²⁹ The second phase of the Italian regional policy covering from the 1990s to 2004 will be tackled in chapter 4.

period covers that of the top-down, centralized approach to regional policy. This section focuses on the creation and development of the regional institution in the two case studies. In Sicily this process took place in 1946, and occurred in Basilicata in 1970. I attempt to identify what the previous literature has said about the two regions from the point of view of administrative capacity and political stability. One would assume that the older Sicilian administrative machinery would have developed more advanced skills than the relatively new institutional structure created in Basilicata. But, the retrospective analysis will reveal that this was not the case.

Before beginning the retrospective analysis it is important to distinguish between two aspects of the rise of the regions, namely decentralization and devolution. The former refers to

“[t]he overall ideal or goal to be pursued in the restructuring of the state apparatus, which requires the fulfilment of numerous objectives of institutional change – among which are new political institutions, new relations among political forces, the integration of new economic and social actors” (Leonardi, 1993:218).

The latter refers to the

“[t]ransfer of power to the regional level of government – i.e. to the change of political and administrative decision-making power in favour of the regions and, therefore, of the new regional political institutions” (ibid:218).

My analysis, once the events that characterized the process of decentralization, i.e., the creation of the regions, and devolution of power, which reached its peak with the reform in 2001 of the title V of the constitution, have been established aims to investigate the performance of the newly empowered units. It is important to clarify that devolution does not imply utilization. In other words, the fact that reforms took place and devolved the powers of programming and implementation of resources to the regional government does not imply that those governments were capable of fulfilling their new role. Indeed, I will argue that in order to act the regional governments needed to develop certain policy making and implementation capacities.

3.2 Italian regional policy 1950-1992: a top-down approach

3.2.1 The regional struggle for authority 1950-1988

The unification of the Italian State was proclaimed in 1861. This was seen as a starting point from which to integrate the strong regional and local identities that had always characterized the country. The method of unifying the regional differences, which posed an obstacle to a durable form of integration, was found in the creation of a powerful central authority.³⁰ It took more than one hundred years to induce the central government to create and assign power and resources to the regional government level (Leonardi, 1993: 217-245).

Today's quality of regional government – e.g. its capacity to deal with new reforms and resources and therefore produce a high level of institutional performance – is the result of the process of devolution and decentralization that took place during the 1970s. To fully understand the characteristics of the regional dimension I need briefly to reconstruct the pattern that led to the empowerment of the regions, i.e. how the regional institutions were created and how they evolved.

It was in 1948, with the new Constitution, that the establishment of regional governments became possible (Costituzione della Repubblica Italiana, 1947: Titolo V, Art.1). This mandate was carried out in just four “special” regions – Sicily,³¹ Sardinia, Valle d’Aosta, and Trentino Alto Adige – where regional governments were established by 1949. Creation of the fifth special region, Friuli Venezia Giulia, was postponed until 1964, due to the dispute between Trieste and Yugoslavia. The special regions were given more autonomy due to their particular problems related to borders, language or ethnicity.³²

³⁰ In 1861, the Italian Kingdom was divided into 59 *province* (provinces), 193 *circondari* (districts) and 1601 *mandamenti* (neighbourhoods). The head of each province was a *prefetto* appointed by the King. Each *prefetto* worked with the support of a *consiglio di prefettura*, and each *circondario* was headed by a *vice-prefetto*. The State model was strongly centralized; indeed the last decision in any minimal local issue was up to the Minister of Internal Affairs (Bonora, 1984).

³¹ Sicily was established as a special statute region on 15 May 1946.

³² Sardinia's creation as a Region was dictated by two main reasons: (i) its particular conditions of backwardness due to the morphologic situation and, above all, the socio-economic situation; (ii) the fact

The *Leggi Costituzionali* (L.cost.) (Constitutional enabling laws) n.2, 3, 4, 5 of 1948 were passed to accept the special statutes of the four regions as the basis for their creation. Article 117 of the 1948 Constitution clearly specified that the regions were to be responsible for a series of socio-economic policies in the areas of professional education, agriculture, tourism, regional economic and territorial planning, artisan trades, and transportation. Industry was instead left to the national government, as was credit and monetary policy. The subsequent articles (118-133) set out the institutional structure of the regions, their financial basis and their relationships with local and central government.

It was twenty years before the other fifteen regions were created. Although, like that of the five special statute regions, the legal base of the fifteen ordinary regions was founded on regional statutes, these were adopted through a general framework legislation passed in 1966 by the Italian parliament. Ultimately, in 1975, the Parliament passed Law n.382, which assigned greater powers to the regions and the provisions of the Law were operationalized through the 616 and 617 "implementation decrees" of 1977. It was with this second set of decrees that the provisions of the Constitution were respected, and the regions could begin to operate fully as policy-making bodies in their designated areas of responsibility.

Even if the regions began to legislate in the various policy areas set out by the Constitution, one field remained out of their grasp: regional economic planning for the less developed areas (Nanetti, 1988). In the south that function continued to be performed by the *Casmez* without any input from the regional governments (cf. Section 3.2.2), and in the north it was relegated to a form of "indicative planning" where the regions prepared requests for funding from the national level, which were largely

that a number of the leading advocates of regionalism were Sardinians, including Emilio Lussu (Sechi, 1969). The special statute of Val D'Aosta was justified by the presence of large membership of French language speakers (Barbagallo, 1973). In Trentino Alto Adige there was a large German linguistic minority whose protection had been assured by the international treaty between Italy and Austria stipulated in 1946 (Toscano, 1967). In Sicily, whose experience is the most significant, the process of increasing its autonomy started straight after the Second World War, supported by significant separatist agitation (Finley, 1986).

ignored (Galasso, 2005). In the 1980s, the first signs of a regional reaction against the all-pervasive nature of state intervention began to appear, especially in two of the smaller regions, Abruzzo³³ and Basilicata³⁴, which had undergone significant shifts in their socio-economic bases. Thus, when the EC's cohesion policy was introduced in 1989 it found fertile ground for a quick and enthusiastic adoption in both of these regions. The situation proved to be less welcoming in other southern regions. We will later discuss that this differentiation was caused by the fact that some regions, such as Basilicata and Abruzzo, had accepted the concept of integration and used it as an opportunity to modernize their administrations, whereas other regions, such as Sicily and Calabria, had continued with the previous approach of top-down planning initiated and controlled by the national centre.

3.2.2 Regional planning policies from 1950 to 1984

As discussed in Chapter 1, the eight southern Italian regions known as the *Mezzogiorno* have always been treated as a homogenous unit sharing the same socio-economic difficulties, the same cultural problems and the same political obstacles (Martellaro, 1965; Carello, 1989). Indeed, in 1950 an *ad hoc* instrument and policy was created to tackle the backwardness of these regions (Law n.646/1950). This instrument, known as *Cassa per opere straordinarie di pubblico interesse nell'Italia meridionale (Casmez)*, acted as an autonomous entity and had complete independence in carrying out what was then defined as the *Intervento Straordinario per il Mezzogiorno* (Extraordinary Interventions for the Mezzogiorno). From 1950 to 1984, the *Casmez* was in charge of national regional policy implementation in favour of the south. The origins of the *Intervento Straordinario* are consistent with a policy tradition that, since the early stages of the Italian unitary state, has been characterized by a

“[s]tate-centric, supply-oriented pattern of interventionism in economic development measures”(Gualini, 2004:81).

³³ In Abruzzo the completion of the Adriatic highway corridor (Milan-Taranto) and the east-west highway link between Rome-Aquila-Pescara facilitated the influx of significant private capital into the automobile, microchip, and space sectors (Felice, 2003).

³⁴ In Basilicata a more modern form of agriculture in the Metaponto and other plain areas helped to stem the tide of emigration and fuelled the rise of an endogenous political class anxious to increase its range of political action (Vellante, 2001).

Policies for deprived regions aimed to deal with backwardness by improving externalities through the modernization of infrastructure and of the agricultural sector, backed by the pursuit of a reform of land holding, by means of central state intervention through “extraordinary” public works programmes. No attention was paid to the modernization of the regional administration in terms of supporting the building of administrative and political capacities so that the regional government might carry out its own development policies.

The vast majority of the literature on the *Casmez*³⁵ (Annesi, 1989; D’Antone 1996; Cafiero 2000) agrees on the division of its operation into four main time periods:³⁶

- 1) The *starting period* (1950-1957), which was characterized by a basic concentration on direct interventions in the improvement of externalities for the agricultural sector and infrastructures³⁷ and by technocratic concentration of responsibilities and powers in the newly established special agency (Sarceno, 1957);
- 2) The *transition period*, (1957-1965), which was characterized by a shift from a technocratic form of management towards a more politically-oriented style³⁸ where the regional governments were excluded from both decision-making and implementation of national development projects (Viesti, 2000);
- 3) The *decentralization period*, (1965-1970), which was marked by the progressive introduction of the decentralization of responsibilities to local authorities (La Palombara, 1966: 63-86), fostered in the 1970s by institutional reforms related to the establishment of regions with ordinary statutes and to the regions’ access to development policy arenas. The most important step in this direction was the creation in each region of the *Comitato Regionale per la Programmazione Economica* (CRPE - Regional Committee for economic planning). The CRPE was allocated the following tasks: (1) to collect information on the socio-economic

³⁵ A comprehensive summary of these periods can be found in Gualini (2004: 82-93).

³⁶ For the legislation that applied to each period see: Law n.949/1952; Law n. 634/1957; Law n.717/1965; Law n. 853/1971; Law n.183/1976.

³⁷ Indeed, the investments were unevenly distributed between interventions for the reclamation and systemization of mountain areas, land reform, and land improvements, which constituted about 70% of the budget, and railroads, aqueducts and sewers, which absorbed another 20%.

³⁸ This has been labelled as synonymous with favouritism and clientelism, due to a strong political interference exercised by members of the national government and Parliament.

resources of each region by promoting studies and research in the field; (2) to identify the problems associated with regional economic development and suggest strategies to overcome these problems; (3) to arrange drafts of economic development plans according to the guidelines prepared by the Ministry of Planning and Budget; (4) to transfer data and information to the Ministry in support of the preparation of the national economic development plan by the Ministry (Bruzzo, 1984). In other words; the regional economic plans were to be derived from the overall context provided by the national economic plan, thereby making regional economic development plans subordinate to national economic planning. The quality of the work carried out by the CRPE varied greatly across the regions:

“...in some regions it was a mere report that was outsourced to external experts, while in other regions it became part of the activities undertaken by the regional government. In this context, the most important legacy left by the CRPE was related to the introduction of the concept of planning at a regional level” (Leonardi *et al.*, 1985:50).

4) The *final phase*, from 1970 to the termination of the *Casmez* in 1984, was characterized by the progressive demise of central governmental intervention; a shift-back of responsibility to ordinary procedures and to the regional governments; and an alignment to Community regional policy rationale (Gualini, 2004:84). In this period, a further step towards the ending of the top-down approach and an increase in the power of the regions was sanctioned in 1980 by the creation of the *Conferenza Stato-Regioni* (State-Regions Conference). The members of the Conference were the presidents of the Regions, the Prime Minister, and the Ministers of the Treasury. The intention behind the creation of a joint Conference was to overcome the conflict between the regions and the national government, to create a forum for the exchange of information and to prepare common positions of the Italian Regions on national issues (Sandulli, 1995). The legislative basis for the creation of the state-regional Conference represents the first time that the national government acknowledged the existence of two other actors, namely the regions and the European Commission, in development planning and in a broad range of public policies.

3.2.3 Reorganization of regional policy management (1984-1992)

Finally, in 1984, the Parliament rejected the further refinancing of the *Casmez*, and it came to an end. Two years after the abolition of the *Casmez*, Law n.64/1986 reintroduced a system of central, national coordination: the *Casmez* was in fact replaced with two new agencies: the Department for the Mezzogiorno, which was entrusted with the financial evaluation of projects, and the *Agenzia per lo Sviluppo del Mezzogiorno* (Agency for the Promotion of Development in the Mezzogiorno, popularly known as *Agensud*), which took over the structure of the *Casmez* but with its responsibilities restricted to the financial management of projects (Lorenzoni and Zappella, 1988).

Meanwhile, from a constitutional perspective, the power of the regions increased. Indeed, all regions were authorized to obtain funding to finance interventions and activities within their area of policy responsibilities and to provide for programme implementation according to the procedure put in place by their respective statutes. The regional proposals were to be framed within three triennial plans provided by the Department and broken down into annual implementation plans. Thus, decision making on regional development schemes remained centralised.

During this period (1986-1992), *Agensud* played a different role to the centralized one carried out by the *Casmez*. Indeed,

“it offered the regional governments different forms of assistance regarding the management, planning and assessment of public investment, the monitoring of the expenditure, the evaluation of projects, and the undertaking of cost-benefit analyses” (*Camera dei deputati*, 1993:238).

In 1987, the Department for European Community Policies was created to manage interaction between the national government and the European level, in terms of changing national legislation to comply with EC regulations and directives. When the cohesion policy was introduced in 1989 the Ministry for EC Affairs was given the responsibility of overseeing Structural Funds. Therefore, from 1989 onwards there was a significant overlap between the traditional approach to regional policy managed by the *Agensud* and the novel approach introduced by the EC during the first cycle of the cohesion policy. In the former the regions remained the objects of the policy while in the latter they became active participants in the policy.

These transitional years introduced a phase of reorganization for the central management of development policies and structural actions. Institutional, administrative and organizational adjustments were made in order to manage the conversion from a centralized management approach to a multi-level, decentralized one. The regional governments were formally recognized as equal actors in this new system and were called upon to contribute to the planning and eventual management of the EC resources while the national level continued to be oblivious of the regional role in regional policy. The operationalization of these changes proved to be far more difficult than expected, confirming that the *Casmez* had acted as a substitute for the lack of territorial institutional capacities, ultimately leading to the consolidation of a policy environment that could be defined:

“as if the whole of the activities related to local development could be conceived and realised outside of the regional administrative structure” (Barca 1998, as cited in Gualini 2004).

3.3 European Union regional policy

3.3.1 The Integrated Mediterranean Programmes (1986-1992)

The increased power of the regions was also attributable to the Integrated Mediterranean Programmes (IMPs) launched in 1985, which was a prelude to the eventual form of multilevel governance of cohesion policy. In fact, the IMPs represented the most advanced model of a multi-annual programme during the 1986-1989 period because of its adoption of an integrated and territorialized approach, which suggested a real change in the role attributed by the policy-makers to the regions.

The IMPs were created in response to the fear of France, Italy, and Greece that the entry of Spain and Portugal into the European Community would undermine their ability to compete on an equal basis in the field of Mediterranean agricultural projects (Leonardi, 2005), even though once the programmes were finalized the projects to be financed were

not limited to the agricultural sector (Art. 2, Reg, 2088/85).³⁹ The IMPs were operationalized in the form of 29 programmes operating in the three Mediterranean countries.⁴⁰ The approval of the IMPs Regulation n. 2088 on 23 July 1985 introduced three major innovations, which sowed the seeds for the principles incarnated in 1988 by the Structural Funds.

Firstly, they created a collection of comprehensive, integrated and multi-annual development programmes as the basis for the allocation of funds.⁴¹ Secondly, they introduced a new legal framework for the operationalization of the programmes, which represented the formalization of the concept of institutional partnership. Article 10 of Regulation 2088/85 established that:

“Given that the EC participation rate could not exceed 70% of the total cost of any planned investment, member states, regional authorities and other public and private bodies needed to cover the remaining 30%. The rights and duties of the parties in the IMPs were defined in a programme contract that made the IMPs provisions compulsory and legally binding”(Bianchi, 1993: 68).⁴²

As we have seen, up until this point in time the bargaining, decision-making, and implementation processes had been dominated by the national governments.

“The IMPs, instead, introduced a novel institutional principle of partnership in making decision and implementing the programmes that placed emphasis on the actions by sub-national levels of government and administrative

³⁹ Art.2: “The operations shall concern the various spheres of economic activity: agriculture, fisheries and related activities, including the agri-food industries; energy; crafts and industry, including building and public works; services, including tourism”.

⁴⁰ The 29 programmes were divided as follows: seven in Greece; seven in France and 14 in Italy. Also, a sectorial programme aimed to address the agricultural problems in the lagoon areas of the northern Adriatic.

⁴¹ “The creation of the IMPs for the first time broke the predominance of the sectorial approach to policy making which had characterized in the past the use of the three Structural Funds. With the IMPs the Community for the first time adopted an explicit ‘integrated’ strategy designed to coordinate investments in industry, agriculture, and services with infrastructure development and vocational training, so that Community investment programmes could become cumulative in impact and leverage adequate additional resources to trigger a process of endogenous and sustainable local development.” (Leonardi, 2005:47).

⁴² The legally binding contract between the Commission and member states/regions committed both sides to the provisions contained in the overall programme. No one party to the agreement had the ability to act unilaterally to change the nature, conditions, or contents of the programme. In this manner, changes to the programme were kept to a minimum, and where changes were made they had to be agreed by all members of the Monitoring Committee. Otherwise, the Community had the right to withdraw the money allocated.

structures. With the IMPs the regional governments became central to the process and, through them, private interest groups.” (Leonardi, 2005:47)

In this new institutional framework the role of the regions was increasingly relevant. They were required to perform novel tasks such as developing the programmes to be financed, implementing the individual “measures” and “actions”⁴³ contained in the programmes, and monitoring the progress of the actions taken.

Thirdly, the IMPs dictated for the first time a provision for monitoring⁴⁴ and assessing⁴⁵ the Programme (Council Regulation, 2088/85: Art 6).

The IMPs experience proved to be immensely valuable, providing not only new concepts such as multi-annual programme design, integration of interventions, relevance of monitoring and assessment, but also creating space for the role of the regional level (CEC, 1989). Thus, by the mid-1980s national governments were no longer the exclusive arbiters of regional development policies within their borders. A new period was about to begin, with a new actor in a position to dominate the scene: the regional government. Would it be able to play this role?

The Italian experience

The 14 Italian regions that received additional support from the IMPs included eight southern regions – Abruzzo, Molise, Campania, Calabria, Puglia, Sicily, Sardinia and Basilicata – and six from the central north – Lazio, Umbria, Marche, Emilia Romagna, Toscana, and Liguria. As we have seen, this is the first time that the regions were asked

⁴³ Measures represent groups of similar projects while actions constitute the individual project.

⁴⁴ The implementation of the IMPs was managed by a Monitoring Committee whose members were representative of the three contracting parties - European Commission, national governments, regions - and of socio-economic groups. Responsibility for monitoring the administration and impact of the IMPs was allocated to an independent technical unit provided by the regions.

⁴⁵ The IMPs regulation inserted the requirement for *ex ante* and *ex post* assessments of the Programme. Prior to its implementation, the authorities responsible for implementing the IMP were called upon to undertake an *ex-ante* evaluation which would render explicit the expected outputs (quantification of results) and outcomes (quantification of the multiplier effect in terms of GDP, jobs and private investments) of the programme. Once the programme was completed an *ex-post* evaluation was to be carried out in order to measure whether the expected outputs and outcomes had been realized. In most cases it was never carried out. The IMPs provided a small budget for technical assistance so that the Monitoring Committees could tender to external firms the tasks of evaluating how the programmes had been carried out and of measuring their socio-economic impact (Council Regulation, 2052/88).

to participate in the formulation of a programme, not only in Italy but also in the other two Member States.

The EC approved the programmes presented by Greece and France in 1987, whereas authorization of the Italian programmes was delayed until the end of 1988. The delay in Italy was due to the difficulties encountered by the Italian regions in selecting the projects to include in the programmes. This lack of project selection capacity was evident from the dramatic reduction in the initial financial allocation required by the regions. The regional proposal of 10.5 billion of ECU was halved by the national government – i.e. it was reduced to 5 billion ECU. The programme eventually approved by the Commission was for a total amount of 2.5 billion ECU, half of which was EU funded. The difficulty encountered in selecting the projects was indicative of the regions' lack of experience in planning the use of resources according to an integrated, multi-annual approach.

Along with the programming difficulties, problems also arose in the implementation phase. The delays in the implementation of the IMPs in Italy resulted in a low level of expenditure. Indeed, by 1991 Italy had spent only 17% of its allocation whereas France and Greece respectively had spent 58% and 68% of their allocation (Fanfani, 2001) (Table 3.1).

Table 3.1 IMPs allocations 1986-1992 (Mecu) and % of expenditure at the end of 1991

MEMBER STATES	Total Allocation	Payments	% of expenditure
France	843,52	487,88	58%
Greece	2.000,00	1.361,62	68%
Italy	1.256,48	219,31	17%
TOTAL	4.100,00	2.068,81	50%

Source: Corte dei conti, 1991.

Not all regions experienced the same difficulty in managing the programme. Indeed, a strong variation in performance was already evident across the regions (Table 3.2).

Table 3.2 Regional IMPs allocations 1986-1992 and % of expenditure at the end of 1991

Region	Total Allocation (Mecu)	Payments (Mecu)	% of expenditures
Marche	88,97	17,17	19.2
Umbria	83,98	18,75	22.3
Lazio	58,15	14,55	25.1
Emilia Romagna	80,27	24,12	30.2
Liguria	52,12	11,59	22.3
Toscana	114,22	38,66	33.6
Laguna Adriatica	42,98	2,97	7.2
Total Northern Italy	520,69	117,81	22.6
Molise	58,57	15,43	26.3
Abruzzo	79,4	18,22	23.2
Puglia	99,97	20,82	20.8
Basilicata	93,49	16,78	17.9
Calabria	119,96	13,52	11.3
Sardinia	96,32	10,13	10.5
Campania	75,75	3,9	5.2
Sicily	112,33	3,7	3.3
Total Southern Italy	735,79	101,50	13.2
TOTAL Italy	1.256,48	219,31	16.7

Source: Corte dei Conti, 1991

A good level of performance was achieved by all of the northern regions, except the multi-regional Lacuna Adriatica IMP. In the south the average level of implementation was much lower, and the situation presented was very heterogeneous. A relatively good performance was registered by some southern regions (Abruzzo, Molise and Puglia), an intermediate level by others (Basilicata, Calabria and Sardinia), whereas an almost complete implementation deadlock was evident in Campania and Sicily.

Fanfani (2001) has argued that the low level of expenditure was due, on one hand, to the lack of technical expertise and administrative capacity of the regional governments when it came to designing and implementing integrated development programmes, and, on the other, to the new approach introduced by the Community, i.e. the need to coordinate a multi-level system of governance in relation to the policy. In a similar fashion, Sapienza (1993) suggests that difficulties in implementing the IMPs were related to inconsistencies and duplication in the central and administrative apparatus, as well as to

the difficulties regions encountered in gaining full acknowledgment of their role from the central government. This was considered “normal”, if we remember that when the IMPs were introduced in 1986, the regions were still under the centralized control of the national government when it came to regional development policies. Gualini (2004) adds that factors related to a differentiated administrative capacity between the regions and the central government and within the regions played a major role.

However, neither Gualini nor Fanfani specifies which administrative capacity was missing, whereas Buti (1995:228) identifies some specific political and administrative factors that impeded the success of the IMPs, namely: extreme instability of the government; short-term strategies of regional development; fragmentation of responsibilities; and the absence of a culture of monitoring. The limitation of Buti’s suggestion is that these factors were not in any way tested in the various regions. Bianchi (1993), who has examined the IMPs experience in four regional cases, concluded that

“the determinants for success or failure of the IMPs were more likely to be found in the institutional performance of the government rather than in the economic structure of the local area” (Bianchi, 1993:65).

These findings corroborate further my suggestion of looking at administrative capacity as a determinant factor for the implementation of the resources.

The data shown above suggests that the centralized approach used in the south but not in the north may have influenced the lack of administrative capacity, in terms of the ability to manage, programme and implement the policy. Furthermore, the data corroborate the hypothesis that, in the south, irrespectively of the overall centralized approach, some regions were developing differentiated capacities to deal with issues related to economic development. Looking at my selected case studies, there is already a clear gap between Sicily⁴⁶ and Basilicata. Therefore, the overall centralization of the policy cannot be

⁴⁶ Unfortunately, there is very little documentation available on the IMPs implementation and on the first cycle of Structural Funds. The most reliable information is that found in the evaluation report carried out by external evaluators appointed by the region and the information acquired through my own interviews (cf. Chapter 5). What clearly emerges is that the regional government in Sicily did not have the means to

considered an explanatory variable to account for differences among the regions, as is suggested by some authors (cf. Section 2.3.3).

3.3.2 The beginning of Structural Funds programming (1989-1993)

In 1989, three years after the introduction of the IMPs, the first Structural Funds programming period began. Its framework clearly followed from the experience gained from the IMPs. As discussed in Chapter 1, the reform of 1988 launched an innovative approach to regional policy, based on multilevel governance with regional governments taking part in the different stages of the policy cycle – i.e. decision-making, programming, implementing, monitoring and evaluation. Since then, we have seen some dramatic changes in the internal structure of nation states. Where regions did not exist, they were created as a tier of governance to activate the partnership triangle of the European Commission, national government and regional government. Where they already existed, regions moulded their institutional setting to fit the European regulations. In both cases a process of institutional adjustment was set in motion, with institutional frameworks converging toward a two- or multi-tier system of governance according to the willingness of national governments to involve just regional governments or also to include local private, public and social partners in policy-making.

These institutional changes represented an important step forward in policy-making. Nevertheless, some authors (Bailey and De Propris 2002; Hooghe 1998) identify only an entitlement of the regions to European funding in the above process. Such studies claim that the 1988 reform overestimated the capacity of the regions to activate such entitlement through effective participation.

manage the newly introduced programme in contrast to the situation in Basilicata. In Sicily there was a blurring of responsibilities among the administrative staff and the different assessorates, and the region was not familiar with any long term planning or monitoring and evaluation processes (Arthur Andersen, 1995; 1997). Furthermore, the administrative bottlenecks were exacerbated by the constant interference of the political class and the continuous change of government and political leaders (Interview with Giuseppe Morale, member of the Regional European Community Group in charge of managing the IMP and Structural Funds in Sicily, Palermo, 4/07/2005).

On a more positive note, Nanetti (1996) looked at the participation of national, supranational and subnational actors in the implementation of the CSF after the 1988 reform in five of the seven Member States with Objective 1 regions: Italy and Spain, which had regional systems; Greece and Portugal, which had recently created regional administrative planning systems; and Ireland, where the whole territory was the basis for a regional plan. Nanetti (1996:86-87) concluded that

“[d]espite national governments retaining almost exclusive powers of negotiation with the Commission over policy formation, the early years of implementation of the first CSFs proved the slow⁴⁷ 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”.

In such a framework, major problems arose at all stages. Again, the Italian implementation rate was very poor compared to that of the other EU Member States (Table 3.3), and the variation between the southern Italian regions was accentuated (Table 3.4).

Table 3.3 EU Objective 1 Structural Funds allocations 1989-1993 (Mecu) and % of expenditure

MEMBER STATES	TOTAL Structural Funds	Ob. 1 Structural Funds	% of expenditure of Ob.1 funds
Ireland	4.901	4.460	95%
Portugal	9.461	8.451	91%
Spain	15.086	10.171	87%
Greece	9.161	7.528	84%
France	6.942	957	84%
United Kingdom	5.329	793	83%
Germany	6.431	2.955	79%
Italy	11.872	8.504	73%
TOTAL	71.368	43.819	

Source: Author's elaboration on EC Seventh Annual Report on Structural Funds, 1995

⁴⁷ The author made a clear distinction between decentralized and centralized countries. In the latter the national authorities had much more power and dominated most of the process.

Table 3.4 Italian Structural Funds allocations 1989-1993 (Mecu) and % of expenditure

REGION	FUNDS AVAILABLE in Meuro	(%)FUNDS SPENT (by 31/12/1993)	(%)FUNDS SPENT (by 31/12/1996)
Basilicata	768	56%	92%
Abruzzo	593	34%	79.80%
Calabria	1.156	44%	79.50%
Sardinia	1.087	51%	77.40%
Molise	344	54%	77%
Sicily	1.687	39%	64%
Campania	1.617	31%	61.80%
Puglia	1.027	45%	57.30%

Source: Author's elaboration on EC Ninth Annual Report on Structural Funds, 1997

Although the literature on Structural Funds implementation in Italy over the period 1989-1993 is very limited, the failure to spend the funds allocation fully during the first planning cycle can be attributed to two main factors, which are consistent with my hypothesis: (1) blurring of responsibilities, both between national and regional government, and within the regional government; and (2) the lack of alignment between Italian regional policy and the EU approach.

First of all,

“the lack of clarity of responsibility between the regional and the national level which gave rise to significant inter-institutional conflicts led to inefficient policy-making and high coordination cost” (Grote, 1996:260).

However, most regional governments seemed to have accepted this unequal and unclear situation because the expected payoff seemed to be quite high (Hine, 1993). Therefore, in this confused and centralized situation, responsibilities for failure or for inefficient use of resources could always be shifted to the centre. Ultimately, the lack of accountability of the regional political class left room for discretion in the expenditure of resources, not necessarily according to economic criteria, but most of the time according to personal agendas. Indeed, Bianchi (1993) hints that poor administrative capacity at the regional level was attributable to the constant interference of regional politicians. This practice deprived the regional civil servants of discretionary powers, and forced them to become mere executors of administrative acts. Regional programming, in circumstances such as these, is destined to fail because planning becomes almost impossible. In Italy during

this period there was no provision for the separation of powers and responsibilities between the political and administrative spheres, and so the political class acted in an intrusive fashion according to its personal interests, and was far from following a technocratic approach.

Secondly, as Trigilia (1992) has pointed out, the Italian approach to regional policy did not contain many of the features that had been built into the EU's cohesion policy approach. This is the classical "lack of fit" argument, which is used in other contexts to explain the difficulties countries have encountered in incorporating European level legislation into their individual policy structures (Cowels *et al.*, 2001). Indeed, at the national level and consequently at the regional level there was no management structure in charge of coordinating a long-term development plan; programming was based on short-term goals and most of the time these goals were not tied to real territorial needs; and monitoring or evaluation procedures were deficient. Therefore, the capacity to manage the new cohesion policy adequately was missing at both the national and regional level because of the policy's innovative structure and direction.

Additionally, I suggest two further elements that might have impeded successful policy implementation. The first is the high level of government instability in Italy, which had 48 different governments over the period (1950-1992), an average of 0.9 governments per year (cf. Annex VI). In this national scenario, it is predictable that the regions, which are all subject to national intervention, would have felt the impact of government instability in undermining the predictability of government programmes. Therefore, the fact that some regions, such as Basilicata, managed to perform well, is worthy of attention.

A second reason for the poor performance both during the IMPs and the first Structural Funds planning period could be attributed to the confusion and overlapping responsibilities created by the still existing *Intervento straordinario*. The centralized approach ended with Law n. 488/1992, which closed the *Agensud*. Then, in 1993, in *Decreto Legislativo* (D.lgs.) (Legislative Decree) n. 96, the term "Mezzogiorno", used to refer to southern Italy, was replaced with the European Commission's phrase "depressed

areas or Objective 1 areas”, and the content and principles of the interventions became those of the EU regional policy.

This D.lgs. marked the beginning of the second phase of regional policy in Italy, which was characterized by a bottom-up approach capable of considering the regional governments and supporting administrative capacity development. This will be extensively investigated in Chapter 4, but before concluding this chapter I want to trace the overall features of the two case studies – Sicily and Basilicata – over the first phase of regional policy.

3.4 The background of the two case studies: administrative and political aspects

The above retrospective, which looked at the features and results of the first period of regional policy, has highlighted two main issues. Firstly, the previous literature has attributed the poor performance of some regional administrations to weak administrative capacity, but it has not clarified the exact nature of the “capacity” under scrutiny and how this has affected the policy outcomes. Secondly, it appears clear that the centralized method of management has equally affected all of the southern regions, and so it is far from an adequate explanatory variable. Although it can account for the overall lag of the southern regions, it does not explain why some regions in the south were able to perform better than others. The reason behind this variation does not appear to lie in different levels of social capital or in economic factors (cf. Section 1.6).

In order to investigate other reasons for this variation, in this section we will examine the experience of two regional governments during the first phase of the Italian regional policy, 1950-1992, briefly recalling their historic backgrounds and their political and administrative features. Although this period is not the concern of my study, it is essential in comparing the two case studies and excluding other possible explanations of their different regional performances.

In 1985, Robert Putnam, Robert Leonardi and Raffaella Nanetti published the most extensive study made about the establishment and growth of the ordinary regions in Italy between 1970 and 1982. Summarizing their findings, it appears that during that period the level of regional performance was very limited, "a lot of time was wasted and many opportunities were missed" (Putnam *et al.*, 1985:107).

Most of the regions' initial administrative difficulties were due to the recruitment and training of personnel that was transferred to them from other public administrations. Indeed, the legislation that established the regions had stipulated that the regional government could not recruit new personnel but had to staff the regional administration with workers transferred from the national ministries or semi-public agencies, or from local government (Law n.62/1953 for special statute regions, Art. 65-70 and subsequent Law n. 281/1970, Art.17 for ordinary statute regions). This provision effectively excluded the possibility of a regional government selecting its own employees. It is arguable whether the regions would have recruited employees based on merit, had they the opportunity to select their own personnel. The study noted that in many cases when the regions did have the power to recruit new staff their selection criteria used was based more on *clientelism*⁴⁸ and party affiliation than on technical capacity and expertise.

"Too much money has been spent on doorkeepers, chauffeurs, and phantom jobs of various sorts. Neither the National transfer system nor the regional recruitment system has produced a class of officials eager and able to implement innovative regional policy" (Putnam *et al.*, 1993:50).

From the same study, a negative picture of the regional administrator emerged:

"Regional administrators were often unmotivated, unprofessional, inefficient and unqualified. Regional officials were eager to get their input and the basic policy directions are often admirable. But implementing those policies has been proven beyond the capacity of many regional agencies. Bureaucratic procedures (patterned too often on the practices of the central administration) were maddeningly slow and inefficient, cramped by controls designed to assure procedural regularity, not real effectiveness." (Putnam *et al.*, 1993:49)

⁴⁸ *Clientelism* is defined in the literature as a "pattern of political integration that is linked directly to the inflexibility, disjunctiveness and fragmentation of the stratification system of Mezzogiorno. Hence politics is non ideological, broad functional interests cannot be expressed and access to authority can expand only through the further vertical extension of the clientele link. One reaches the structure of authority, not by merging one's demand with parallel demands of others, but by linking oneself to a hierarchical chain of personal acquaintance that reaches power holders at the higher level." (Tarrow, 1967:74).

Agencies of the regional government acted in mutual ignorance, without coordination with one another or other levels of government.

As we saw in Section 3.2.1, it was with the D.lgs. n.616/1977 that the regions were given substantial autonomy in the legislation area. Indeed, if up until then their autonomy had been strongly constrained, from 1978 onwards the process of devolution of power from the centre to the periphery increased. Greater autonomy called for greater responsibilities and capacity in properly implementing the newly acquired power. Indeed, Putnam *et al.* (1985) conclude that over 15 years (1970-1985) the ordinary regions had been more capable of producing legislation than the special statute regions created 20 years before. Although we have to remember that the regional planning area was still in the hands of the state, the established regional units gained no real experience in this area. We have to wait until 1988, the year of the Structural Funds reform, to witness a switch in the responsibility for planning and implementation from the national to the regional level.

Within this overall situation, what we are interested in is to focus on the more specific characteristics of Sicily and Basilicata, in order to understand how two regions located in the same national context could have produced such different sets of implementation performance. The next two sections will highlight some features of both regions in order to provide an understanding of their respective backgrounds.

3.4.1 The first of five special regions: Sicily

The historic background (1860-1946)

Sicily was the first of the four special statute regions established in Italy in 1946. The Sicilian eagerness to become an independent region from the rest of Italy is rooted in the historical process of state making and in the propensity of the various governments that have dominated Sicily over the years – whether Bourbon, Savoyard, Fascist or Republican – to impose central programmes of development on the island. The year 1812 marked a milestone in Sicily's ambitions to be an independent region, when a constitution for the island was secretly written by the aristocracy of the time. The

subsequent events, marked by the fall of Napoleon and the inclusion of Sicily under the Piedmont regime postponed the Sicilian dream for more than a hundred years.⁴⁹

The exploitation of Sicily by each different government created discontent among the townspeople, who witnessed a decline in the social and economic conditions of the island. Many popular movements (*movimenti popolari*) were established during those years but none succeeded in obtaining the freedom from the external dominator (Spataro, 2001).

It was during the Second World War, precisely in 1942, that the *Comitato per l'Indipendenza della Sicilia (CIS)* (Committee for the Independence of Sicily) was created (Marino, 1979). The first President and leader was Andrea Finocchiaro Aprile, while the members and significant contributors to the activities of the committee came from the *mafia* organization (Paternò Castello, Duca Di Carcaci, 1977). Sicily was, at this moment in time, “nelle mani di nessuno” (under nobody’s domain) and so Finocchiaro asked for the abdication of Vittorio Emanuele III. The CIS was soon transformed into a real political movement, the *Movimento per l'Indipendenza della Sicilia (MIS)* (Movement for the Independence of Sicily). This political movement was based on a strong relationship between the political class and *mafia* representatives.

In 1944, the MIS began military action to obtain independence from the Italian state. This action was supported by the *Esercito Volontario per l'Indipendenza della Sicilia (EVIS)* (Voluntary Army for the Independency of Sicily), whose guerrilla warfare continued until the 15 May 1946, when King Umberto II proclaimed a D.lgs., which attributed to the Island of Sicily a Special Statute of Autonomy. The Italian Constituent

⁴⁹The day after the unification of Italy, Conte Camillo Benso di Cavour imposed Piedmontese law on Sicily, ignoring that Sicily had its own laws and had a certain autonomy, which was developed during the Bourbon monarchy. This imposition provoked a hostile reaction from the Sicilians towards the *piemontese* regime. An exacerbating factor was the fact that Cavour sent civil servants and administrators from the northern region to rule Sicily. He justified this action by suggesting that Sicily was too corrupt and that *clientelismo* was the political fashion of the island. The northern administrators were too different in their way of thinking and the Sicilians again perceived themselves as being exploited by external authorities. All these events built up an even stronger feeling for the independence of the region from the rest of Italy (Huri, 2005).

Assembly turned the statute into law on 26 February 1948 (Musumeci, 2005). The MIS disappeared from the political scenario after the first regional elections were held on 20 April 1947 when it polled a disappointing 8.8% of the votes (Gaja, 1990).

The history of Sicily, characterized by backwardness and underdevelopment, has attracted the attention of sociologists (Sabetti, 2002; Blok, 1974), economists (Centorrino and Signorino, 1990; Centorrino, 1986) and historians (Finley, 1986; Colajanni, 1894). Most of these authors point at the strong presence of the *mafia* in the region as a reason for the lack of development, along with the inefficiency of the institutions (Chubb, 1982; Gambetta, 1993). These authors attribute to the *mafia* a determining role in both the economic and the political life of the region. Blok (1974) gives a clear excursus of the genesis of the *mafia* in Sicily. His analysis reveals that:

“The element of Mafia became tangible in the early 19th century when a formative apparatus of a modern central government was superimposed upon a society still largely feudal in its main features. The predominance of large landed states, together with the considerable amount of autonomy enjoyed by local power-holders in both rural and urban areas, expressed the extent of Sicilian feudalisation. During the long centuries of foreign rule, no government ever effectively penetrated this hinterland. Spanish objectives in Sicily were minimal: the production of modest revenues and the maintenance of order. For both, the outside authorities relied on the landowning barons who dominated local government” (Blok, 1974:89).

Feudalism⁵⁰ was abolished in 1816, but the situation was so rooted in the Sicilian culture that it pervaded the land reform that was thereafter implemented by the Bourbons. In 1860 the centralization of power that was imposed by the *piemontese* met strong resistance from the privileged class that had always dominated Sicilian society.

“At the end the central ruler had to come to terms with local vested interests. *Mafia* was born in a context of tensions between the central government and the local landowners on the one hand, and between the latter and peasants on the other.”(Blok, 1974:92)

⁵⁰ Feudalism indicates a political and economic system that operated in Europe from the 9th to around the 15th century, based on the holding of all land in fief, or fee, and the resulting relationship between lord and vassal, which was characterized by homage, legal and military service of tenants, and forfeiture (Gaudioso, 1969).

The *mafia* gained significant power by managing these tensions and acting as a link between the three counterparts. The *mafia* strengthened links with the government and in some cases became part of it (Block, 1974:94)

Without discrediting the validity of the sociological or historical approach, or the *mafia* explanation, I aim to investigate the role of another variable, administrative capacity, in determining the low performance of Sicily with regard to the object of my analysis – i.e. Structural Funds implementation. Operationalising a more concrete and measurable variable, such as administrative capacity, allows us to single out factors that can eventually be modified in order to improve the level of performance.

Political and administrative features (1946-1990)

After the election of 1947, the Sicilian region was conceived as an intermediate level of government endowed with its own powers guaranteed within its own Statute. The creation of the region was meant to bring more homogeneity to a land that since 1860 had been administratively subdivided into a large number of small provinces (De Stefano, F. and Oddo, F.L., 1963: 65-94).

The region was invested with legislative power, i.e. the power to issue normative actions not inferior to the laws of the State, but of equal force and value, even though within enumerated competences. Three main bodies constituted the special region of Sicily, namely the Assembly⁵¹ (*Assemblea*), the Cabinet (*Giunta*) and the President of the region. The last two represented the executive body of the region, while the Assembly held legislative power.

The Cabinet is composed by the Presidents and the *Assessori* (Assessors). At the beginning, the Assembly elected the President, but in 2001 L.cost.n.2 changed the procedure. Now the President is elected by direct universal suffrage along with the members of the Assembly. The President appoints the *Assessori*, who are in charge of

⁵¹ Ninety deputies elected by universal suffrage constitute the Assembly, which lasts 5 years. The Sicilian Assembly recalls the body of a similar name that was constituted in 1130 by Ruggero II di Sicilia of the Altavilla Dynasty. It became the first Parliament in Europe.

the various branches of the regional administration, namely the *assessorato* (assessorate)⁵². In each *assessorato*, along with the political head or *assessore* figure, there is an administrative head, namely a general manager (*dirigente generale*). The general manager is the highest administrative position and he is in charge of the entire department. Under this position are the division managers, who are in charge of the specific areas into which the department is divided.

Although there was not a formalized separation of responsibilities between the administrative and political powers during the first fifty-four years of the regional government in Sicily, the division was formalized by Regional Law (L.R.) n.10 in 2000.⁵³

After the first regional elections on 20 April 1947, the first President of the Sicilian Region was Giuseppe Alessi. Alessi belonged to the *Democrazia Cristiana*⁵⁴ (DC) party and was a member of the CIS. He was President over the period 1947-1949 until Franco Restivo, who belonged to the same party, replaced him. He returned to the Sicilian presidency in 1955 just for one year.

A shake-up in the DC presidency came when Silvio Milazzo⁵⁵ was elected in 1958. He was a former DC member who had gone on to set up his own party, *Unione Siciliana*

⁵² There are twelve assessorates: presidency; agriculture and forestry; cultural assets and public education; budget and finance; cooperation, commerce, handicraft and fishery; social family, political and local autonomies; industry; public works; social security, professional training, emigration and immigration; health; environment; tourism, communications and transport.

⁵³ Even though a first attempt can be seen during the implementation of the second cycle of Structural Funds 1994-1999.

⁵⁴ La Democrazia Cristiana (DC – Christian Democratic Party) was an Italian party of Christian-democratic inspiration, which was moderate and represented the centre. It was founded in October 1942 by Alcide De Gasperi together with representatives of the disbanded Italian People's Party (PPI) of Don Luigi Sturzo and of the "Movimento Guelfo d'Azione" (Guelph Movement of Action) of Piero Malvestiti and other intellectuals originally from Catholic organizations. In the political elections of 1992, DC obtained 29.6% of the total vote (its historical minimum). In the same year the scandal of "Tangentopoli" broke out and, after over fifty years of activity, the crisis over the inquisition of "Mani Pulite" caused the party (led by Mino Martinazzoli) to announce a change in its name on 18 January 1994 to that of the party founded by Sturzo in 1919: the Italian People's Party (PPI). For a discussion of the collapse of the DC and what substituted it, see Leonardi and Alberti (2004) and Nanetti (2006).

⁵⁵ The importance of his political activity is as such that it is known as "milazzismo". The term refers to the aim of setting up political coalitions between right and left in order to exclude the centre government.

Cristiano Sociale (USCS), in order to unseat the DC. His success lasted until 1961 when the DC returned to power. The DC's reign then lasted until 1991 (Table 3.5).

The data shown in Table 3.5 reveals that the Sicilian Region has experienced significant political instability since its establishment.

Table 3.5 Regional governments in Sicily (1947-1989)

I Legislature (25-05-1947 to 12-04-1951)			VI Legislature (11-06-1967 to 03-04-1971)		
Gover nment	Period	President			
1°	30-5-1947 to 9-3-1948	G.Alessi (DC)	22°	11-8-1967 to 30-9-1967	V.Giummarra (DC)
2°	9-3-1948 to 12-1-1949	G.Alessi (DC)	23°	30-9-1967 to 24-4-1968	V. Carollo (DC)
3°	12-1-1949 to 12-4-1951	F.Restivo (DC)	24°	24-4-1968 to 27-2-1969	V. Carollo (DC)
II Legislature (02-07-1951 to 05-04-1955)			25°	27-2-1969 to 29-4-1970	M.Fasino (DC)
4°	20-7-1951 to 05-04-1955	F.Restivo (DC)	26°	29-4-1970 to 19-2-1971	M.Fasino (DC)
III Legislature (04-07-1955 to 05-04-1959)			27°	19-2-1971 to 3-4-1971	M.Fasino (DC)
5°	27-7-1955 to 27-9-1956	G. Alessi (DC)	VII Legislature (13-06-1971 to 29-04-1976)		
6°	11-9-1956 to 26-11-1957	G.La Loggia (DC)	28°	10-8-1971 to 11-10-1971	M.Fasino (DC)
7°	26-11-1957 to 31-10-1958	G. La Loggia (DC)	29°	11-10-1971 to 23-12-1972	M.Fasino (DC)
8°	31-10-1958 to 5-4-1959	S. Milazzo (USCS)	30°	23-12-1972 to 27-3-1974	V.Giummarra (DC)
IV Legislature (07-07-1959 to 22-03-1963)			31°	27-3-1974 to 29-4-1976	A.Bonfiglio(DC)
9°	12-8-1959 to 18-12-1959	S. Milazzo (USCS)	VIII Legislature (20-06-1976 to 22-04-1981)		
10°	18-12-1959 to 23-2-1960	S. Milazzo (USCS)	32°	13-8-1976 to 20-3-1978	A. Bonfiglio (DC)
11°	23-2-1960 to 30-6-1961	B.Majorana (USCS)	33°	21-3-1978 to 15-3-1979	S.Mattarella (DC)
12°	30-6-1961 to 9-9-1961	S. Corallo (PCI)	34°	15-3-1979 to 2-5-198	S.Mattarella (DC)
13°	9-9-1961 to 11-8-1962	G.D'Angelo (DC)	35°	2-5-1980 to 22-4-1981	M.D'Acquisto (DC)
14°	11-8-1962 to 19-10-1962	G.D'Angelo (DC)	IX Legislature (21-06-1981 to 01-05-1986)		
15°	19-10-1962 to 22-3-1963	G.D'Angelo (DC)	36°	7-8-1981 to 23-12-1982	M.D'Acquisto (DC)
V Legislature (09-006-1963 to 03-04-1967)			37°	23-12-82 to 20-10-1983	C.LoGiudice (DC)
16°	25-7-1963 to 20-8-1963	G. D'Angelo (DC)	38°	20-10-1983 to 22-3-1984	S. Nicita
17°	20-8-1963 to 29-1-1964	G. D'Angelo (DC)	39°	22-3-1984 to 1-2-1985	M. Sardo (DC)
18°	29-1-1964 to 5-8-1964	G. D'Angelo (DC)	40°	11- 2-1985 to 1-5-1986	R. Nicolosi (DC)
19°	5-8-1964 to 9-1-1967	F. Coniglio (DC)	X Legislature (22-06-1986 to 01-05-1991)		
20°	9-3-1966 to 20-1-1967	F. Coniglio (DC)	41°	31-7-1986 to 6-8-1987	R. Nicolosi (DC)
21°	20-1-1967 to 03-04-1967	F. Coniglio (DC)	42°	6-8-1987 to 12-1-1988	R. Nicolosi (DC)
			43°	12-1-1988 to 14-12-1989	R. Nicolosi (DC)
			44°	14-12-1989 to 1-5-1991	R. Nicolosi (DC)

Source: Author's elaboration of data from the Sicilian Regional Assembly database.

The database of the Regional Assembly recording the first ten legislatures (1947-1991) shows that there have been 44 governments over 44 years. The instability is such that the region has had on average one government per year. This instability was not caused by a change in coalition, but by frequent changes of presidents and reshuffles of *assessori* during the legislatures. Indeed, it was impossible to reach agreement within the coalition on keeping a leader for a significant length of time, because of the fear that he would become too powerful (Semaforo, 1962).

I believe that this government instability created a political class that was not in a position to address the long-term planning of resources; that was not accountable for its actions, and whose subjugation to short-term mandates fostered an attitude of intervention aimed at gaining as much as possible in terms of personal reward over a short period of time.

Some other authors who have highlighted the reason behind the malfunctioning of the regional body and the disappointing output of the development programmes, which has ultimately been very small, confirm my assumption. In Palmeri's words,

“[t]he short time that each president was governing the regional government was not enough to implement any consistent development plan, but allowed each president to pursue its own interests” (Palmeri, 2002:4).

The list of authors who have critically analysed the political and administrative situation in Sicily runs into the hundreds. Here I mention only some of them. Antinori (1877), Chiaramonte (1901), and Greco (1970) all point out the inefficiency of both the bureaucracy and the political class in producing any results which could benefit the region. Twenty and forty years respectively after the creation of the Sicilian Region, Moncada (1970) and Epstein (1992) denounced the “lack” of a development programme and held the regional administration, including both the bureaucrats and the politicians, responsible.

Precisely, in Moncada's words:

“The Sicilian government does not have a development programme tailored to the needs of the region. What we have is a programme, which is based on investing in industrialization. Just because this process has been successful in other regions it does not mean it will be successful here. 'Besides, no

matter how perfect a plan is, what makes it successful is the competence of the political and the bureaucratic class”(1970:79-83).

This affirmation highlights the lack of programming ability, which the Sicilian Region seems to have been unable to overcome. In his study, Moncada underlines that the failure to produce an adequate development programme was caused by a political class that was more concerned with fulfilling its own personal interests than those of the overall regions, and that uses resources to buy consensus instead of investing in the economic potential of the region. Furthermore, Moncada criticizes:

“[t]he dozens of employees within the regional administration who do nothing or do not even go to work, who are more in number than is needed and who are clearly hired just for political reasons ruled by favouritism and patronage” (Moncada, 1970:113).

Along the same lines as Moncada, Giuseppe Palmeri and Alessandro Garilli (1981) described a political class that recruited personnel on the basis of party affiliation, without any meritocratic system. Indeed, Palmeri and Garilli noted that 70% of the civil servants recruited in Sicily during the period 1960-1980 were enrolled in the ruling political party. A similar consideration is highlighted by Stefano and Oddo (1963:81):

“It became common opinion that to become a civil servant, one did not need to be clever, or competent, or educated, or devoted to its job. What was needed was the “right” membership card of the ruling political party.”

The political class tended to keep Sicily isolated from external interference. This attitude had repercussions for the approach to development policy as well as to the overall management of the region. Indeed, when Structural Funds were created and, previously, the IMPs, little attention was paid to them because they required opening the region to transparent regulation and procedures (cf. Chapter 5).⁵⁶

⁵⁶ Interview with Giuseppe Morale (Palermo: 4 July 2005)

3.4.2 The ordinary statue region: Basilicata

The historic background 1860-1970

Basilicata, on the instep of the Italian boot, has none of the organised crime history of Sicily or neighbouring Calabria⁵⁷ and Puglia.⁵⁸ Nowadays, it is best known for the vehemence with which the regional population united to rebuild the region after the earthquake of 1980, and with which the same population forced the central government to drop its plan to store radioactive waste by the sea in 2004. But its history is not as smooth as it seems. Indeed, since 1860 Basilicata has been subject to a widespread phenomenon called *brigantaggio* (banditry).⁵⁹ The civil war, which began with the aim of the peasant to win the lands, lasted over five years. Two thousands peasants led by Carmine Donatelli (best known as Crocco di Lagopesole) fought furiously so that in 1862 the government declared the region to be under siege. In order to stop the civil war in Basilicata, the government had to send in 120,000 soldiers led by General Pallavicini. Finally, in 1865, after a very expensive war both economically and morally, the government succeeded in quelling the uprising (De Jaco, 1969). Looking back on these events, Sergi Pantaleone described them as *pre-mafia* (Pantaleone, 2003). Indeed, his original analysis of the *mafia* in Basilicata highlighted the existence of the phenomenon there. The difference between Basilicata and Sicily, Calabria or Puglia on this is that it is a very recent fact, and therefore less known, but still very significant and with highly damaging characteristics. Other authors (Vigna, Masciandaro, Roberti 1999; Sciarrone, 1998; Bubbico, 1993) strongly support Panataleone's claims about the existence of a strong *mafia* component in the region of Basilicata.

However, as I have maintained since the beginning of my analysis, I am not interested in investigating or using the *mafia* as a variable to account for the difference in regional

⁵⁷ The *mafia* association of Calabria is known as *Ndrangheta*

⁵⁸ The *mafia* association in Puglia is known as *Sacra Corona Unita*

⁵⁹ Since the Middle Ages, Basilicata has witnessed the struggle for control between Byzantines, Goths, Lombards, and Normans. In 1300 the region mobilized a strong opposition to the Svevis and afterwards against the Spanish domain. As in Sicily, many regimes have passed through Basilicata, and all of them have left the region poorer and more resentful than before. In Basilicata as in Sicily the most penalized class was the peasant class, which could not benefit from the ownership of the land. The Unification of Italy was seen as an opportunity to solve the land distribution problem. When this did not happen, the rural class rose up against the State, fuelling guerilla warfare and mainly *banditism* (Fuccella, 2002).

performances. The purpose of this historical background is just to prove that both regions were and are subject to the presence of forms of *mafia*.

Over the years that followed the land occupation movement of the 1940s and the land reform policies of the central government in the 1950s, Basilicata witnessed a massive emigration that left most of the rural areas unpopulated, and consequently the agriculture sector faced a major crisis. Up until 1970, Basilicata had the poorest socio-economic conditions, so that it was generally described as a “subsidized region” and the “tail light of the Italian South” or “the South of the South” (Levi, 1945). Basilicata was divided into two provinces (i.e., Matera and Potenza) in a similar way to the other Italian regions, and the regional delineation functioned simply as a delimitation of statistical boundaries. The situation changed when the regional government was established in 1970 along with the other 14 ordinary regions in continental Italy.

In 1982, twelve years later, Basilicata had an improved industrial and service sector, an increased employment level, and an improved infrastructure setting. “This progress was due to the changing in the political and administrative reality” (Putnam *et al.*, 1985:50). Basilicata, similarly to the other southern Italian regions, was under the remit of the centralized *Intervento Straordinario*; nevertheless, unlike other regions, such as Sicily, it was able to develop its own capacity in the area of regional policy even before the official institutions of the region were created.

Leonardi *et al.* (1987:40) identified the turning point as the experience of the CRPE. As mentioned in Section 3.2.2, this committee was present in each region and was in charge of planning interventions in the region. The experience of the CRPE varied across the 20 regions and it was particularly good in Basilicata. Indeed, the experience was defined as

“innovative in the way that for the first time the region identified its own path for future development, which was strongly related to the mobilization of internal political and social factors as well as external resources” (Leonardi *et al.*, 1987: 40).

If the CRPE represented the turning point, the IMPs symbolized the beginning of the introduction of an integrated method for the preparation and management of cohesion

policy (Regione Basilicata, 1996c: 5-6). Indeed, the IMPs regulation had a remarkable impact on the organizational and operational levels of the regional administration, in both the political and administrative spheres. Thus, the necessary implementation of an inter-sectorial programme financed by different funds served to open a dialogue and cooperation between different *assessorati* and departments. In the words of the *assessore* interviewed:⁶⁰

“The IMPs have brought to light the awareness of: (i) the importance of having a central body for the coordination of actions; and (ii) the fundamental necessity for a constructive dialogue at three different levels – i.e. between the political parties; between the different administrative units (departments and *assessorati*); and between the political and administrative sphere”.

Conversely to the Sicilian experience, the Basilicata region “used” the IMPs as a laboratory for developing new administrative and planning capacities and organizational features, which proved to have a determining effect on the subsequent first cycle of the Structural Funds 1989-1993.⁶¹

Political and administrative features (1970-1990)

As in Sicily, three bodies constitute the regional government in Basilicata, namely the Council, the Cabinet and the President. In contrast to the Sicilian case, Basilicata is an example of high stability and coherence; indeed over its first four legislatures (from 1970 until 1990) there were only five governments (Table 3.6) and only one reshuffle of the cabinet in 1982 (which was caused by the ill health of the regional president).⁶²

⁶⁰ Interview with Rocco Colangelo, Regione Basilicata (Potenza: 14 June 2006)

⁶¹ Among other factors, which I will discuss in detail in chapter 5, which favored the spread of the IMP method within the region at both the administrative and political levels was strong government stability.

⁶² The person who replaced Verrastro as president of the region, Carmelo Azzara, was the person responsible for regional planning during the previous *giunta*, thereby providing a continuity in the planning approach championed by the region in subsequent years.

Table 3.6 Regional governments in Basilicata (1970-1985)

I Legislature (13-10-1970 to 06-09-1975)		
Government	Period	President
1°	from 13-10-1970 to 6-9-1975	V. Verrastro (DC)
II Legislature (06-09-1975 to 08-09-1980)		
2°	from 7-9-1975 to 8-9-1980	V. Verrastro (DC)
III Legislature (09-09-1980 to 19-06-1985)		
3°	from 9-9-1980 to 23-3-1982	V. Verrastro (DC)
4°	from 24-3-1982 to 19-6-1985	C. Azzarra' (DC)
IV Legislature (20-06-1985 to 10-07-1990)		
5°	from 20-06-1985 to 10-07-1990	M. Gaetano (DC)

Source: Author's elaboration of data from Regional Assembly database

Looking at the data on the first four Basilicata legislatures, a striking trend emerges. The governing coalition was centre-left, *Democrazia Cristiana* (DC), as was the case during the same period in Sicily and in Italy in general (for Italy see Annex IV). Nevertheless, in Basilicata the situation appears to have been the opposite to the scenario of political instability that was dominant in Sicily. The analysis of Leonardi *et al.* (1987: 69-116) reveals that the political government was very stable in Basilicata due to a series of mediated steps in moving from one phase of development to another – i.e. the first generation of political individuals involved in the regional government represented a mix of national and local administrators and new entrants. This mix of different people was coordinated by a political leadership, which succeeded in distributing responsibility among the various components and avoiding any form of inter-governmental or inter-coalition conflicts, thereby guaranteeing a rolling consensus on the most important decisions taken by the Cabinet and the Council. A process of depolarisation contributed to the low level of internal conflict,⁶³ which was also attributed to the personal qualities of the political leaders and to the succession of people, selected on the basis of their professional expertise, who were keen to find solutions based on open discussions to solve specific problems.

⁶³ Leonardi *et al.* (1987) conducted three rounds of interviews, in 1970, 1976, and 1981, with components of opposite political parties: from this it emerged not only that the ideological differences among parties had diminished, but also that the degree of tolerance among political leaders of different parties had increased.

Governmental stability in Basilicata was key in creating a political class that was more concerned with long-term planning and more accountable for its own actions, in light of the fact that it could expect to lead the region for a considerable length of time (i.e., the time horizon for political leaders was the entire five year length of the legislature). Furthermore, in this political scenario, the administrative class was not subject to manipulations and interventions aimed at the gain of personal rewards (Leonardi *et al.*, 1985).

If we look at the output of the four legislatures,⁶⁴ we can reconstruct a smooth and coherent path of actions. During the first legislature, 1970-1975, the region elaborated its own model of planning, which was defined as “project planning”, and was different from the more general “global planning” implemented in other Italian regions. The project planning approach was meant to find specific solutions for sectorial problems in order to intervene in a specific area or territory, rather than trying to find a global solution in the form of prescriptive planning that could be applied to any sector in any region (Regione Basilicata, 2001: 1-44).

The beginning of the second legislature, which covered the period 1975-1980, was characterized by Law 183/1976, which formally recognised the role of the region in the decision-making process related to “extraordinary interventions”. In this climate, Basilicata started to stake its position on economically related issues. Indeed, in 1978 the President of the region stated:

“After 27 years, the extraordinary intervention in the south, which focused on infrastructure and the provision of subsidies for enterprises, has not delivered any possibility for the region to develop a self sustaining form of economic growth. The Basilicata region has various resources, which if adequately used, can guarantee a prosperous future.”(Basilicata Regione, 2001:60)

⁶⁴ For further information on the three legislatures, see also Leonardi *et al.*, 1985 and Regione Basilicata 2001.

This statement contained the seeds of what became in 1988 the new approach to regional policy – i.e. programming in order to develop local resources, rather than investing in an indiscriminate fashion.

The third legislature, between 1980 and 1985, was marked by a natural disaster, an earthquake, which seriously damaged 55 municipalities, covering 45% of the whole territory and affecting 53% of the population. Besides the economic and human loss, the earthquake had two additional effects: on the one hand, it reinforced the political class of the region, which mounted an effort to thwart a centralized intervention in the reconstruction process on the part of the state, and on the other, it encouraged the allocation to the region of the responsibility to continue to promote its own reconstruction and development, which ultimately led to an improvement of the region's overall administrative capacity. In order to deliver efficient results, the region adopted a full development approach to regional policy, realizing that the subsidy development model could not guarantee the necessary results (Regione Basilicata, 2001:87-132).

The new regional development plan of 1983-1987 marked the beginning of the new approach to planning, based on a more endogenous approach that rejected the old, more exogenous approach formulated by the central government. The logic behind the endogenous approach adopted by the Basilicata region was as follows: (1) it was independent from the central control of the State; (2) it was based on territorial resources and needs; (3) it was necessary for the region to have planning and implementation capacity "in house" (in contrast, the "old" model was based on one easy concept, that decisions were made by the central authority irrespective of what the region wanted); and (4) the political leadership had the task of guaranteeing the overall interests of the region rather than the personal interests of a few or of a small group of governing parties.

The third legislature ended in 1985 with the definition of the general basis for the new development model, but a lot of work was still necessary during the subsequent years to improve the methods and implementation principles in relation to the new European approach introduced by the IMPs and cohesion policy. In these sixteen years, the existence of the regional institution contributed to the creation of a regional political

class independent of the influence of the central government, and willing to pursue the overall interest of the region (Leonardi *et al.*, 1987:71). The region's approach to regional planning proved to be pragmatic in nature in making sure that the region remained the centre of power and decision making and that the administrative apparatus became gradually accustomed to experimentation and adopting the best solutions available.

The 1985-1990 legislature began with a clear declaration of what direction to follow. The political programme presented by the President was based on the need to renew the region's important economic sectors—i.e., agriculture, industry, tourism- in order to reach a stage of economic development based on balanced regional growth⁶⁵. It was during this legislature, in 1986, that the IMPs were introduced and Basilicata was able to register a level of performance in terms of implementation (16%), which was above the average of the southern Italian regions (12,1%). A retrospective analysis of the documents (Regione Basilicata, 1986) highlight three main reasons for the good performance of the IMPs in Basilicata were tied to the activities and decisions taken by the political class: 1) the openness towards the involvement of the private sector and of the local communities; 2) the decision to create a working group which would act as a coordinator of the intervention in order to guarantee that the programmes were implemented correctly and not arbitrarily; 3) the exclusion for the first time of investments in traditional infrastructures in favour of more territorial related economic activities. Over the five years of the legislature, the political class was able to act as a link between the objective of the programme and its concrete implementation due to strong political stability (Rosa, 2000: 166).

The coherence between the development plan, the territorial needs and the concrete implementation of the strategy has been the element that has characterized the governance of Structural Funds over the following legislatures. The assurance of each political leader to keep the government stable has been not only a "sentence" in his inaugural speech but, as the past events show, a real commitment. Based on the government stability, the political class has developed a system to govern Structural

⁶⁵ See speech of Gaetano Michetti during the inauguration of the Cabinet on the 19th of June 1985

Funds. This system relies on correlated institutional relations and it has as a centre point the CICO, which is in charge of coordinating the various departments, and keep a clear vision of the long term run.

Over these four legislatures, the administrative class, mobilized by the proactive political plan, implemented the political directions in an efficient manner. The administrative class showed an impressive learning capacity, which ultimately enabled it to carry out its duties and optimize time and resources (Leonardi *et al.*, 1987). In the next chapter we will analyse the other legislatures with respect to Structural Funds.

3.5 Conclusions

This chapter has analysed the establishment of the regions as administrative units, and the first phase of the Italian regional policy in light of the European scenario. The purpose of the chapter has been to offer an interpretative framework for the subsequent chapters in that it provides an understanding of: (i) the main features of the institutionalization of Italian regions and their struggle to gain decision-making and implementation powers in relation to regional policy; (ii) the characteristics of regional policy in Italy during the first period, 1950-1992, which was marked by the collapse of the *Casmez/Agensud*.

The analysis of the establishment of regional policy in Italy shows that from 1950 until 1992, the Italian approach to regional policy was not accustomed to the European scenario. This was shaken up by the 1988 reform of Structural Funds, which demonstrated to Italy that the malfunctioning of its centralized approach would make success in the EU impossible.

We have seen that, during those years, Italy had its “own” regional policy under a “special” organization, the *Casmez*, and that the actions implemented by this organization were defined as *Intervento Starordinario*. The top-down, centralized approach that led Italian regional policy until 1992 had left the southern regions with a burdensome legacy. This chapter has demonstrated that the centralized approach is far from an explanation of the differences in implementation among southern regions.

Instead, it acted as an external constraint that affected all of the regions equally. Furthermore, it emerged that the national government did not possess the administrative capacity to manage, programme, monitor and evaluate the implementation of resources. Neither was the political class acting in favour of improving the level of administrative performance. Indeed, the ruling class at the time constantly intervened with an eye on personal agendas rather than economic development; severe governmental instability created a volatile climate in which the political class was oriented towards short-term rewards rather than long-term planning, and accountability for actions was non-existent. Within this national scenario, regions inherited the same administrative and political characteristics.

Despite the fact that two of the five special regions were created during the second half of the 1940s (Sicily and Sardinia), southern regions were never prominent in the formulation and implementation of regional policy before the reform of 1988. Indeed, in those years the southern regional governments (of both the “special” and the “ordinary” variety) developed a strong dependence on the centre from an economic, as well as an administrative perspective, which compromised their ability to build their own capacity to design and implement adequate development programmes.

This weakness first came to light during the management of the IMPs. Indeed, the regions’ poor administrative performance undermined the successful implementation of the IMPs, whose results were very poor compared to the performance of the northern Italian regions or that of France and Greece. Similar problems were encountered during the implementation of the first planning period of the Structural Funds (1989-1993). The failure of both implementation efforts corroborate the thesis that the *Intervento Straordinario* did not have the effect of building at the regional level an autonomous capacity to participate actively in regional policy. Instead, the national regional policy had a perverse effect of delegitimizing and transforming the regions into mere observers of a policy process that remained the responsibility of the centre (Gualini, 2004).

In reality, the actual needs of the regional institutions were not taken into consideration at any stage during the period between 1950 and 1990. The changes made to the definition of regional powers in 1976 and 1977 were represented as mere transfers of

administrative responsibilities from the centre to the periphery, but they were not perceived in the area of national regional policy as a challenge to the primacy of the State in planning, or as opening up a significant role for the regions. Reinforcing regional administration through an authentic decentralization would have been detrimental to the retention of power at the central level. The sharing of power in the form of multi-level governance with regard to regional policy was not an option that had ever been considered by the national government (Trigilia, 1992). That innovation had to come from the European level.

Along with the regional policy evolution I have analysed the creation and growth of the regional dimension, in order to understand why, in this similar scenario, some regions have been able to develop their own administrative capacity and outperform other regions. In the last section I focused on my two case studies, Sicily and Basilicata, and on the features that characterized their development up until 1988. These two regions, although they share a common background of centralized intervention, foreign control, and *mafia* existence, have revealed contrasting features in both the administrative and political dimension. Indeed, from a political point of view the element that differentiated Basilicata from the other southern regions was the minimal conflict between parties, which favoured the stability of its leadership and the continuity of the planned interventions. Sicily, on the other hand, experienced a high degree of government instability, which as we will see has probably helped to influence its low level of administrative performance. We have seen that the region of Basilicata has always been oriented towards gaining more institutional and economic independence and towards developing its potential, in contrast with the development model that was at that time applied indiscriminately to any region by the central state intervention. Sicily also has a history of asserting its political independence, but for totally different reasons. Indeed, the Sicilian politicians aimed to wield sole power in the region in order to fulfil their personal interests. This led to the creation of a political culture that constantly intervened in the administrative sphere and manipulated its activities in order to set its own agenda. In this context, the political class showed no interest in EU funding before the end of

centralised economic planning because this would have meant adapting to new rules and regulations, which might have undermined its political control.

This chapter has clearly shown that, on one hand the poor results of a region are due to its poor administrative capacity, but, on the other, what ultimately determines the functioning of that capacity are the choices made by the political class.

Before moving on to the empirical testing of my hypothesis, it is necessary to look at the second part of the evolution of regional policy to understand how the change in approach to regional policy that took place in Italy in the 1990s had an effect on regional administrative capacities in the areas of policy-making and implementation.

Chapter 4

The awareness of the administrative capacity deadlock: policy shift in the second phase of Italian regional policy 1992-2004

4.1 Introduction

The previous chapter investigated, in light of the European scenario, the first period of regional policy in Italy, which took place between 1950 and 1992. It presented an historical analysis of the establishment of the regions as administrative and decision-making units. This retrospective, while responding to a basic need for information, was structured as a means of reading past events from the perspective of the two parts of my central hypothesis and its correlated variables – i.e. the relevance of administrative capacity for the implementation of policies, and on political factors that intervene to determine the degree of administrative capacity.

We have seen that the introduction of regional policy in Italy under a special agency, the *Casmez*, and its evolution over the period 1950-1992 was based on a top-down, centralized approach. The Italian experience with top-down regional policy approaches was not much different from what took place in other countries that experimented with regional policy, such as France, Great Britain, Spain and Greece. I have argued that it is not only the nature of this top-down approach but also, more specifically, the Italian variety of that approach that undermined any possibility of sub-national institutions developing planning and implementation capacities with regard to regional development. The policy's endogenous approach and lack of a specific territorial component doomed the policy to failure. The choices made by the political class and the use of regional policy for the purpose of building political patronage also did not help the overall success of the policy. Indeed, the ruling class at the time constantly intervened in the administrative activities according to personal agendas rather than

economic means; the extreme instability of the government created a political class more focused on short-term rewards than long-term planning; moreover, accountability of actions was non-existent. Within this national context, the regions took on the same administrative and political characteristics. The adoption of a centralized approach to regional planning cannot therefore explain in any way the differences in the implementation performance of individual southern regions observed after the abolition of top-down policies. Indeed, the national regional policy was an external constraint that applied equally to all regions.⁶⁶

In light of these initial findings, this chapter aims to continue to analyse the evolution of regional policy by scrutinizing the characteristics of its second phase, 1992-2004, when profound changes to the planning of policies for the development of the *Mezzogiorno* took place. These changes followed three concurrent events: the end of a forty-year top-down economic policy; the beginning of the radical reform of the Public Administration (PA); and the sudden drop in public expenditure which directed attention towards the Structural Funds as the only available funding for development purposes. All these events took place between 1992 and 93. This is why many authors labelled the year 1992 the “turning point” in Italian regional policy (Bodo and Viesti, 1997; Barca, 2001b).

In order to analyse the impact of these changes in relation to my case studies and Structural Funds implementation, this chapter is divided into three sections. Section 4.2 looks at the massive and revolutionary regulatory reforms implemented from 1992 onwards with the aim of modernizing the PA and improving the devolution of powers and the separation of responsibilities between the political and administrative classes. I will disentangle and study the reform under two headings; administrative changes and political changes.

⁶⁶ The failure of both European programmes corroborates the thesis that the intention behind the *Intervento Straordinario* was not to build any autonomous capacity into the regional government, but that it was instead aimed at gaining support from the local political class and keeping the regions strongly dependent upon the centre (Gualini, 2004).

Section 4.3 focuses on the impact of the reforms on regional policy. It considers the end of the *Intervento Straordinario* and its consequences for the national and regional governments, focusing particularly on the sudden relevance given to the Structural Funds and the EU cohesion policy, and the consequent adoption of the multilevel governance model. It recalls the main features and results of the second Structural Funds planning period (1994-1999).

Section 4.4 scrutinizes the third period of Structural Funds 2000-2006 and the events that stimulated public awareness about the necessity of promoting administrative capacity at the regional level.

4.2 The reform of the 1990s: a revolutionary shift in the Italian tradition

At the beginning of the 1990s⁶⁷, when the entire Italian political system was going through a period of severe crisis, the most important reform of the Italian State since 1860 began, including a major review of the constitutional framework. Not one central, peripheral or local organizational structure and decision-making process or procedure managed to escape this wave of change, which swept over the formal rules and the procedures of public sector management (Rebora, 1999; Capano, 2000).

The poor results of the centralized intervention along with the fiscal and economic problems of the early 1990s associated with the huge public debt and the move during the beginning of the 1990s to eradicate government corruption established the seeds for change (Ceccanti and Vassallo, 2004).

European policies – the single market programme, competition law and policy, the use of EU funds, and monetary and fiscal rectitude that was the price of entering the euro area – greatly influenced the Italian regulatory and administrative environment. At the

⁶⁷ The long cycle of reform was introduced mainly by the governments led by Amato and Ciampi (1992-1994) and by the centre-left coalitions (1996-2001).

beginning, the main goal was to reduce the public debt and balance the state budget, in order to meet the Maastricht criteria.⁶⁸

The Italian reforms introduced during the 1990s were also part of an international trend characterized by a new approach to administrative problems. This solution has been labelled the New Public Management (NPM), a definition that combines a variety of different, often contradictory, public management techniques, based on two previously-existing general principles: the managerial approach of the American school and classical organizational theory (Gow and Dufour, 2000). This is a solution that, at least at the international level, seems to have been acknowledged and proposed as a programmatic move by all countries (OECD, 1995). At the same time, the last 20 years have seen all Western countries introduce important reforms of their PAs, using strategies and content that from the “programmatic” point of view seem to have been inspired by the adoption of organizational and institutional solutions contained in the NPM. The NPM suggests the use of the following instruments: privatization; a growing emphasis on the idea of the citizen as client; de-centralization towards the regional level in order to emphasise territorial development needs; strategic planning and management; the creation of a competitive environment; the measurement of results; public service management flexibility; the use of innovative accounting methods; personnel management based on wage incentives; the use of tariffs; the separation of politics from administration; financial efficiency; and the considerable use of computer technologies (Hood, 1991; OECD, 1995; Peters, 1997; Lane, 2000; Barzelay, 2001). This constitutes a wide range of different instruments, and so it is no surprise that each individual country has chosen to combine these instruments in a different way (Olsen and Peters, 1994; Hood, 1996; Cheung, 1997; Kickert, 1997). It is only to be expected that each country has established its managerial paradigm according to its own specific structural and cultural characteristics.

⁶⁸ The criteria were: (1) Inflation – no higher than 1.5% above the average inflation rate of the lowest 3 inflation countries in the EU; (2) Interest rates – the long-term rate no higher than 2% above the average of interest rates in the three countries with the lowest inflation rates; (3) Budget deficit –no more than 3% of GDP; (4) National debt – no more than 60% of GDP; (5) Exchange rates – currency within the normal bands of the ERM with no re-alignments for at least 2 years (Talani, 2004).

In the Italian case and in relation to the general use of Structural Funds we also have to attribute the change in management approach to the impact of Europeanization⁶⁹ – that is, the need to align the national and regional approach to cohesion policy according to the regulations and principles enunciated in the 1988 and subsequent reforms of the ERDF, ESF, and EAGGF (Leonardi, 2005, pp. 48-56).

In the following sections, 4.2.1 and 4.2.2, we will be looking at the main changes that Italy experienced as a result of the need to adapt to the European standard, including implementing cohesion policy and Structural Funds, in the administrative and political arenas respectively. Indeed, Structural Funds were the only ones available, now that the *Casmez* was closed and public spending dramatically reduced.

4.2.1 The administrative reorganization

Six successive Italian governments launched and supported numerous initiatives, policies, and programmes. Two areas were subject to drastic changes: the market⁷⁰ and the PA. The PA reforms covered four important issues: (1) the balance between the centre and sub-national governments, i.e. the devolution of power; (2) the reform of the central administration; (3) the civil service reform and separation of responsibilities of the political and administrative class; and (4) the simplification of the PA, procedures and controls (Table 4.1 and Table 4.2).

Table 4.1 Structural reforms in the Italian Public Administration 1961-2005.

Public Budget		*	*		*****	
Civil service and administrative responsibilities			*	***	*****	**
Political and administrative devolution		*	*	*	*****	**
	1961-70	1971-80	1981-90	1991-95	1996-2000	2001-2005

Source: Barca, 2005

Note: each * refers to a reform introduced in that period

⁶⁹ On Europeanization see also: Borzel and Risse, 2000; Fabbrini and Della Sala, 2004; Page, 2003.

⁷⁰ The market reforms covered the capital markets, the labour market and the production market. They aimed, on one hand, to minimize the state's intervention in the economy, including privatization, establishing new regulatory regimes and institutions, and simplifying laws on a broad scale, and on the other hand, towards the "reorganization" and the management of the legal and regulatory system.

Table 4.2 Administrative reforms in Italy 1990-2005

Year	Regulation	Content
Civil Service and Administrative responsibilities		
1990	Law n.241	<i>Legge sul procedimento</i>
1992	Law n. 421	The delegation to the government of the power to reform the juridical status of public employment, and to introduce innovations in the financial control of local government.
1993	D. lgs. n. 29	The "privatization" of public employment. The setting up of the National Agency for the Collective Bargaining of Public Employment. New rules regarding labour representation.
1995	Law n. 273	The enforcing of efficiency of public administration. D.lgs. n. 77 The introduction of managerial accounting in local governments.
1997	Law n. 94	Reform of budgetary procedures by government (enforced by means of 3 legislative decrees issued during 1997).
1997	Law n. 59 (Bassanini Reform)	The re-designation by government of the duties and powers of regional and local governments; the reform of the public sector bargaining system; the reform of the macrostructure of government; the introduction of the annual law on de-legislation and simplification. (To enforce this delegating law more than sixty legislative decrees were needed.)
1997	Law n. 127	The so-called "simplification law". Hundreds of regulations changing rules regarding the personnel system, bargaining system, and control and evaluation systems in administrative procedures.
1998	D.lgs.n. 80.	Changes to legislative decree no. 29/93, reinforcing the "privatization" of public employment.
1998	Law n. 191	Changes to certain provisions of law 59/97 and of legislative decree 80/98.
1999	Law n. 50	The first annual law on de-legislation and simplification.
1999	D.lgs. n. 286	The introduction of a new control and evaluation system (to be implemented independently by all public administrations and organizations).
2000	Presidential decree no. 324	A change in the mechanism used to recruit executive management.
2000	Law n. 205	The reform of the duties of the Administrative Courts.
2000	Law n. 340	The second annual law on de-legislation and simplification.
2000	Presidential decree n. 445	The unification of all rules governing the administrative process
2001	D.lgs. n. 165	The unification of all rules governing public employment
2002	Law n.145	Dispositions for the re-organization of the PA managerial class
2005	Law n.15	Modification of Law 241/90

Firstly, the process of political-administrative devolution was guided by two main innovations. On the one hand, a process whereby power was delegated to the regions and to local authorities began (Law n.421/1992; Law n. 59/1997). In the eyes of the reformers,

“[t]his process did not constitute the third transfer of administrative functions to regional government and local authorities, but a much more ambitious, radical operation, a new stage, as it has been called, in the institutional history of Italy” (Dipartimento della Funzione Pubblica, 2001b:19).

On the other hand, the organizational and managerial capacities of local governments were strengthened through a reform of the system of checks and controls (Law n.127/1997; D.lgs. n. 286/1999), the introduction of city managers (Presidential Decree n.324/2000), of managerial accounting (Law n. 273/1995) and the chance to link managers' salaries to their performance (Bassanini, 2000b).

Secondly, the reform of central administration, the first of its kind since Cavour's days in the nineteenth century (when the Kingdom of Italy was founded), involved

“[m]erging bodies with similar missions; eliminating duplication and segmentation”; a ‘more flexible internal organization’, with ‘freedom to choose between organizational models’; the presence ‘of just one ministry for each mission: 22 ministries in 1990, 12 in the year 2001’; the creation of numerous agencies, that is, of ‘company-like technical-operative structures’ (Bassanini, 2000b: 11).

Thirdly, the literature on Italian PA describes the civil service at the time as concerned only with job and salary security, rather than with other values such as performance, effectiveness, personal success, professional capabilities, interpersonal and inter-organizational competition. In the word of D'Auria (1990:125),

“[t]he hierarchical and cooptation practices that govern access to higher levels of the career, coupled with the advanced age of executives on average, favour conformism rather than innovation”.

On the same note,

“...career typically takes place within only one administration that produces a "parochial" vision that excludes consideration of issues from the point of view of other administrations, discourages innovation and the circulation of new approaches, and encourages personnel to develop a "patrimonial" conception of its post” (Minelli, 1990: 189).

This “passive” role of the administrative class, characterized by high levels of frustration, detachment from and indifference towards its tasks, was mainly caused by the constant interference of the political class, which reduced civil servants' activities to mere mechanical actions. Such a situation proved to be inadequate for the complex tasks that contemporary societies pose to the PA, and mostly inadequate for the implementation of European standards.

Therefore, in order to overcome the inefficiencies and bottlenecks created by such a civil service, the reform of the 1990s introduced a reorganization of public sector employment, focusing on the privatization of the working relationship and further emphasizing the separation of politics from administration (D.lgs. n.29/93; Law n.59/97; Law n.191/98; Law n.145/2002). With regard to the first of these two changes, collective bargaining was extended to virtually all public sector employees (except for small groups of individuals such as university lecturers and professors, prefects and members of the armed forces), with even the rules regarding the careers of public employees defined by employment contracts. This process led to the introduction of the “spoil system” (Law n.145/2002). Political leaders could choose the general manager to allocate to a particular administrative area. The general manager contract was therefore linked to the political life span – i.e. the manager was dismissed in the moment the politician finished his mandate. I will further discuss this aspect in the next paragraph (cf. Section. 4.1.2).

As far as the second of the two features characterizing public sector reform is concerned, the legal foundations of the separation of powers were further re-enforced:

“it is now the duty of politicians to define policies and strategies, assess results, appoint general directors but to have no further direct involvement in administration, whereas administrative directors and managers are given broader powers but also greater responsibility, and higher salaries linked to results and performance” (Bassanini, 2000a: 16).

Fourthly, the simplification process was based on the principles of reasonableness (the enforcement of self-certification, the increased interpretation of silence as assent, the formulation of consolidation acts that incorporated and co-ordinated all existing laws within a given public policy sector), and the planned introduction of an annual simplification law (Law n.127/1997). At the same time, experiments were conducted to ascertain the impact of this regulation process, involving the setting up of a “task-force of experts whose job it is to safeguard the quality of regulation” (Bassanini, 2000b: 30).

The introduction of these four sets of reforms was designed to transform the Italian PA from a form of administration in which only rules and procedures mattered to a performance-oriented administration. The reformers seemed to be strongly convinced

that they had effected a break with the past, starting with the replacement of the “old” legal paradigm with a “new” managerial model (Bassanini, 2000c).

As a result, in less than a decade, Italy took important steps from being a highly interventionist state in which law was devalued and the regional dimension was underestimated and disregarded, towards becoming a modern regulatory state based on transparent rules and multilevel governance. In the meantime, regional policy was also subject to major reforms, due to the abolishment of the centralized approach. Indeed, a new bottom-up method, based on the central role of the region, emerged. In sum, Italy tried to get into line with EU dictates in order to be able to gain credibility and play a more active role in EU regional policy as well as in other areas of interventions.

4.2.2 The political implications

As mentioned in the above paragraph, running parallel to the changes in the administrative arena were similar relevant reforms in the political sphere (Table 4.3). These can be summarised under three headings: (1) Increased devolution and decentralization; (2) Changes in party system; and (3) Introduction of the spoils system.

Table 4.3 Main political changes in Italy 1990-2003

Devolution, decentralization and electoral reform		
1990	Law n.142	Local Autonomy Organization
1993	Law n.81	Reform of the Electoral System: direct election of the Major, the President of the Province, the County Council and the Province Council
1998	D.lgs. n. 112	The conferral of new powers and competencies on regional and local government (this will need at least 100 secondary regulations to be enforced).
1999	L.cost. n. 1	Second Reform of the Electoral System: direct election of the President of the Regional Council
1999	D.lgs. n. 300	A change in the macrostructure of government (requiring at least 25 secondary regulations for its implementation).
1999	Law no. 265	A change in the institutional organization of local government.
2000	D.lgs no. 287	The unification of all rules concerning local government.
2000	D.lgs. n.267	Testo Unico Enti Locali
2001	L.cost. n.3	Major Review to the second part of Title V of the Constitution
2003	Law n. 131	(“Legge La Loggia”) – Implementation of L.cost. n. 3/2001

Firstly, the process of decentralization and devolution initiated in the 1990s was formalized by Law n.59/1997 and dramatically reinforced over the last years. Decentralization was marked by the restructuring of the state apparatus (D.lgs.

n.300/1999), the establishment of new relations between political forces, and the integration of new economic and social actors. Devolution – i.e. the transfer of powers to the regional level of government – was finalized with D.lgs. n.12/1998, which recorded the shift of political and administrative decision-making power in favour of the regions. This process reaches its peak in 2001 with the reform of title V of the Constitution⁷¹ (cf. Section 4.3.2).

Secondly, the changes that took place in the Italian party system from 1990 onwards were not mirrored in the post-war history of any other western democracy. In the space of a few years, the parties that had dominated the parliament since 1945 either dissolved or re-branded themselves and transformed profoundly. New elites entered the political arena, causing serious consequences for politics and institutions (Newell, 2000). This process was triggered by, among other factors,⁷² the Referendum movement, which believed that the Italian system of proportional representation favoured clientelistic practices and party fragmentation, prevented the formation of long-lasting majorities and therefore limited the duration and the stability of governments. A system of plurality would have instead reinforced accountability and trust, and delivered stronger and more stable governments. Between 1994 and 1996 the new rules determined the polarization of Italian party system, which has actually delivered a more stable government, although there is still a lot to do with regard to building trust and accountability (Diamanti, 2001). Same stability, as well as increased responsibility and accountability, was reached at regional level after L.cost. n.1/1999 and L.cost. n.2/2001 introduced the direct election

⁷¹ What these reforms accomplished was to formally put the national and regional levels on a more equal footing vis-à-vis the Constitutional Court and in the allocation of primary powers in a variety of policy making sectors, including regional policy, to the regions.

⁷² Newell (2000) identifies two other factors as accountable for the transformation of the party system: (i) the sudden occurrence of judicial investigations unveiling and prosecuting the structure of political corruption; and (ii) the change in electoral behaviors, and the rise of the Northern League, a regionalist party that built its fortunes on a populist critique of the traditional political class. This Populist Party proved able to capitalize on the discontent of the richest and most developed part of the country. The southern part of the country was accused of inefficiently consuming resources produced in the north, and the traditional parties were held responsible for the consequent spread of corruption. The diffusion of corruption in Italy was fuelled by two concurring factors. First, in the southern regions the State was historically weak, and resources were mainly allocated through personal links. Second, the political system never underwent an alternation in power. In 1992, a number of major investigations hit all of the major governmental parties, including their top leaders and officials.

of the President , respectively, in the ordinary regions and in the special status regions (the same electoral system based on direct elections had already been introduced in 1993 for the majority of municipalities).

Finally, the third change in the political scene was strictly linked to the administrative area, and in particular to the privatization of the public employment. Indeed, as previously discussed, this introduced the spoils system in Italy.⁷³ This practice, which reached its peak with Law n.145/2002⁷⁴, has been the subject of opposing debates. The greater concern was related to the choice of the highest bureaucrats by the politicians: the risk is that the administration becomes a mere executive instrument of politics (Cerbo, 2002).

This examination of both administrative and political reforms, although brief and mainly descriptive, is relevant in putting into context the second part of my central hypothesis on the relevance of the political factors – i.e. political interference, government stability, and political accountability – in influencing administrative capacity. As we have seen, these factors were seen as fundamental to improving national performance, so that a process of radical systemic reform has taken place over the last 15 years. Have these changes also been implemented at the regional level? What has been the impact of the reforms on my policy of interest –regional policy?

⁷³ The term “spoils system” originated in Anglo-Saxon systems and indicates the right given to the winning political party in elections to make key appointments in the bureaucratic system. Many consider this practice to be justified when capable persons are appointed to senior policy-making positions. They hold that the party in power must craft policy to meet its constituents' needs (Peters, 1997). On the other hand, it is unwarranted when political leaders dismiss able persons from non-policy-making positions. They do this to bring on board others who are qualified only by loyalty to the party, thus compromising governmental effectiveness.

⁷⁴ Law n. 59/1997 originally previewed the spoils system for the communal and provincial level. Law n. 145/2002 significantly upgraded the previous law by extending the system to all the administrative leaders of the public administrations – i.e. regional and ministerial general managers. Furthermore, it has established: (1) that all the managing assignments are temporary, lasting for a maximum duration of three years for the general manager and five for the others; (2) 10% of the positions of general manager and 8% of the places for division manager can be appointed from outside the administration. (Cassese, 2002)

4.3 The impact of the reform on regional policy: a bottom-up approach

4.3.1 From the *Intervento Straordinario* to multilevel governance

The revolutionary administrative and political changes that took place in the 1990s marked the end of the *Intervento Straordinario*. Indeed, the logic behind the *Intervento* – i.e. centralized intervention, little autonomy for the regions, strong political interference, and poor attention to administrative performance – was incompatible with the needs of the Maastricht criteria for reducing government spending and with the EU regulation for Structural Funds allocation.

The consequences of this event were two-fold. First, there was a return to ordinary administrative procedures, that is, responsibilities were redistributed amongst the central administration bodies of the State according to their statutory competencies. Second, regional governments were formally recognized as key actors in this pluralist and decentralized system of responsibilities. This underlined the importance of their strategic as well as operational programming abilities, in terms of mobilization, distribution and timing of resources.

The end of the centralized approach meant first of all a drop in public investments in the *Mezzogiorno*, from a peak level of 21 billion Euro in 1992 to a lower level of 15 billion Euros in 1996. Therefore, European funding became the most important enabler of public investment for the southern regions. To implement Structural Funds successfully, the country needed a radical change in its approach to regional policy. This meant an abandonment of the top-down centralized approach in favour of the bottom-up, multilevel approach; a focus on investments in an integrated, territorialized programmatic fashion rather than sectorial interventions; multi-annual rather than short-term plans as the basis for the investments; the adoption of an expenditure monitoring system; and the incorporation of an evaluation culture that had so far been missing.

These requirements proved to be very difficult to be implemented both at the national and regional level due to their absolute novelty. An awareness of their essentiality, however, brought forward the need to foster administrative and political innovation at the

regional level. The first step in this direction was the strengthening of the “concertation model” of programming. This model was labeled *programmazione negoziata* (negotiated programming) (Gualini, 2004:195). The legislation on *programmazione negoziata* was based on the merging of previous local practices featuring experimental, bottom-up initiatives that had been adopted in the regions with the more advanced forms of regional economic planning, e.g. in Emilia-Romagna and Tuscany (Leonardi and Nanetti, 1998; Leonardi and Nanetti, 1991). Many initiatives developed, on the one hand as a result of the Structural Funds logic and on the other in order to put the Structural Funds into operation.⁷⁵

The main change arrived with the *Bassanini* reform, i.e. Law n.59/1997, which introduced a general reframing of the competencies of regional and local governments in key areas of public action and regulation, moving towards a subsidiary pattern of inter-governmental relationships, which constituted a crucial premise for a “territorialization” of development policies outside of what was already possible through the regional operational programmes. Law n.59/1997, along with the reforms in the electoral (direct election of majors since 1993, of regional presidents since 2000, and new executive powers) and fiscal (regionalization of fiscal revenues and budgeting since 2000) systems, constitutes a major factor of change in State–local relationships towards a model of “administrative federalism”.

Among the most important policy areas in which regulatory and/or managing responsibilities were devolved to the regions as of 1999 (D.lgs. 143/1997, D.lgs. 469/1997, and D.lgs. 112/1998) were active labour policies, local development

⁷⁵ In 1996, the Financial Act (Law n.662/1996) realized a further step in the institutionalization of this policy approach, extending the rationale of negotiated area-based agreements to a comprehensive set of development tools. In particular, the Act introduced two new forms of institutional agreement: (1) *intesa istituzionale di programma* (institutional protocol of understanding), aimed at realizing inter-governmental coordination between State, regional and provincial governments. *Intese istituzionali di programma* are called in particular to outline programmes and related objectives and joint actions, to define the listing and scheduling of operational agreements (*accordi di programma quadro*), and to set criteria for monitoring and evaluation and periodic revisions of objectives; (2) *contratto d'area* (area-based contract), a peculiar collective agreement put together by the 1996 national central accord to foster employment within Objective 1 areas.

promotion and incentives to SMEs, social services, tourism, waste management, transportation, environmental protection, and city and regional planning.⁷⁶ In all matters pertaining to territorial development, the central administration retained only those responsibilities in the definition of the national preferences and managing special legislation (e.g. regional State aids) that required a national programming and coordination framework.

The reform assumed a particular importance in redefining the institutional context of local development policies. What made *programmazione negoziata* a crucial step in the renewal of the Italian states' approach to regional policies was that it embedded local development in a multilevel framework of horizontal, i.e. public-private and inter-organizational, as well as vertical, i.e. intergovernmental, forms of collaboration. Regions and local governments were identified as the primary actors in a much broader array of policies related to the promotion of territorial development relying on coordination among a plurality of actors rather than on direct public intervention.

4.3.2. The growing role of the regions in the Italian institutional setting

As explained in Chapter 1, Structural Funds explicitly promote a multi-tiered, compound system where national, sub-national and European institutions co-operate with each other to produce public decisions. In the Italian case this multi-level governance approach clashed with the pre-existing diplomatic and centralist orientation towards European affairs, according to which only the Ministry of Foreign Affairs had the competence to represent the national interest at European level, and sub-national authorities were prevented from establishing direct links with European institutions. Structural Funds, thanks to the partnership principle and to the important role assigned to regional administrations in programming and managing European resources, clearly highlighted the inconsistency of such a framework and contributed to the modification of national legislation.

⁷⁶ Given that in the past these policies were already under the responsibility of the regions, what the new law did was to clarify the state's lack of concurrent powers – i.e., the ability to legislate without first consulting with the regions.

Moving to Brussels

Law n.52/1996⁷⁷ finally allowed the Italian regions to establish offices in Brussels and to participate (with four representatives) in the national delegation within the European Council. This provision proved to be a crucial turning point in the management of Structural Funds. Indeed, it allowed the regions to bypass the national state and to establish a direct link with the European Commission.

Thanks to this law, the Italian regions became increasingly legitimate “actors” in European decision-making, with a new role that was also acknowledged by the later Constitutional reform of 2001. Despite this opportunity, not all regional governments fully exploited the chance to promote themselves as interlocutors at the European level; rather, their “activation” in Brussels appears to have been strongly differentiated in terms of timing, number of channels, type of participation and strategy of representation as demonstrated in a study carried out by Fargion *et al.* (2005). From the study it emerged that Italian regions can be divided into three groups: a leading group of “proactive” regions, that became active before the removal of the national legislative constraint (that is, before Law n.52/1996); an intermediate group of “reactive” regions, that became active once the national law allowed them a presence in Brussels and elsewhere in Europe (that is, between 1996 and 1999); and a last group of “inactive” regions, that became active only recently (between 2000 and 2002). The leading, proactive group is composed of some Central and Northern regions with the sole exception of one southern region: Basilicata. On the contrary, the inert regions are led by a group of southern regions, including Sicily. These findings suggest that while Basilicata was developing an active role in the EU scenario Sicily was still in the shadows.

⁷⁷ The 1996 law was officially motivated by the fact that the Single Market programme, guaranteeing the free circulation of people, goods and capital across national borders within the EU, came into effect on 1 January 1993, and so the national governments could not prevent regional presidents or other officials from travelling to Brussels to contact Commission officials. Another important motivating factor was the creation of the Committee of Regions in December 1993 that formalized the regional role in the EU process of decision-making and consultation.

A change in the Constitution

The success of the regional governments in emerging and acting according to the new form of multilevel governance that had entered Europe was marked by the changes in title V of the Italian Constitution, made in 2001 (L.cost. 3/2001) by the Amato government. Indeed, under L.cost. n. 3/2001, the republic was defined as a unit composed of municipalities, provinces, regions and the state. The legislative powers of the regions were considerably extended,⁷⁸ while government restrictions on regional legislation were curtailed. A new legal framework for governance was thereby created, and new criteria for the distribution of administrative duties amongst the state, regions, municipalities, provinces and metropolitan cities were established, whilst external controls were lifted. New provisions governing the financial autonomy of regional and local authorities were laid down. Finally, regional powers with regard to relations within the EU and at international level were redefined, and gave more space for regional participation.

This reform irrevocably established a strong and autonomous role for the regional dimension within the national boundaries. Once the reforms were put in place, it was necessary to strengthen the capacity of the regions to exert these powers.

⁷⁸ Under art. 117 of the new title V of the Constitution: the Regions were given (exclusive) legislative power with respect to any matters not expressly under the preserve of State law (comma 4) and not included in concurrent legislation. The article listed a series of matters of concurrent legislation where the State would be allowed only to set the fundamental principles (comma 3) with regard to: regional international relations and relations with the European Union; foreign trade; job protection and industrial safety; education; scientific research; protection of health; food safety; sport; civil protection; town planning; civil ports and airports; development of cultural and environmental resources; large-scale transport and navigation networks; energy; complementary social security, etc. The region could participate in decisions to establish Community instruments, and implementation of international agreements and European Union instruments (comma 5).

4.4 The campaign to promote Italian regional administrative capacity (1999-2006)

4.4.1 The creation of the *Dipartimento per le Politiche di Coesione* (1998)

Once the institutional settings were in place, with the different tiers of governments empowered to take part in the multilevel form of governance, it was necessary to start to address the quality of each level's performance in programming and implementing development policies. This meant addressing the requirements of administrative efficiency on an unprecedented level in the Italian experience.

Indeed, until 1998 the management of EU affairs concerning cohesion policy was characterized by a great "disorganization" and fragmentation. As previously discussed, this fragmentation arose from the logic behind the Italian regional policy, which was defined as centralized and sectorial - i.e. the funding was financing sectors of the economy such as agriculture, fishing, industry, and so on, rather than being "territorial", i.e. financing programmes to tackle the primary needs of the regions, as the principles of Structural Funds suggested. Therefore, the institutions dealing with regional policy were the various Ministries of the central government related to the relevant sector of intervention: Ministry of Agriculture, Ministry of Industry, etc.

By the time the administrative and political reforms were in place and the top-down approach was eradicated (cf. Section 4.3.1), the second CSF 1994-1999 was coming to an end and the level of expenditure of EU funding was repeating the poor trend of the previous CSF 1989-1993 (cf. Table 1.1 and Table 1.2). This low level of performance, coupled with the drop in national funding available for the development of the *Mezzogiorno*, triggered a shift in the Italian approach to regional policy, so that Structural Funds and the implementation procedures required by EU regulations became the most important financial and organizational feature of cohesion policy in southern Italy. Indeed, EU funds were seen as the only available resources to support the underdeveloped regions.

The first step in aligning the Italian regional policy with the EU procedures was the creation at the central level of a department responsible for the general coordination of

regional policy and, in particular, of cohesion policy. The new department, *Dipartimento delle Politiche di Sviluppo e Coesione* (DPS or Department for Development and Cohesion policies) was established in 1998 within the reformed Ministry of the Treasury.⁷⁹ The DPS was conceived as an administrative body strategically placed with regard to interests, procedures, and patterns of relations involved in implementing EU regional and cohesion policy. According to article 119, comma 5, of the Constitution, the main institutional objective of the DPS was

“the realization of interventions for the economic and social re-equilibrium and the economic development of the underdeveloped areas of the country, mainly in Southern Italy”.

The process initiated by the DPS introduced several procedural novelties compared to the tradition of Italian development policies. Among its most relevant aspect was the importance attributed to the diffusion of a practical understanding of the embeddedness of Italian territorial policy-making in a European multi-level governance system, as well as to the building of administrative capacities within the regional government and the various National Ministries (Barca, 2001a). The founding of the DPS contributed to the speeding up of the implementation of the CSF (1994-1999). Although, since the DPS intervened only in the latest stage of the period the results in terms of implementation of the resources remained rather weak compared to those of the other European Member States (cf. Chapter 1, Table 1.1).

Over the course of the last eight years, the Ministry of the Treasury centralized all of the competencies for the “new programming” and also fulfilled an important co-ordination role with regard to social and regional institutional actors, in making sure that the management and programming activities would follow closely the EU principles and regulations. For the first time attention was paid to monitoring and evaluation procedures (Ismeri Europa, 2002: 199-205). In retrospect and in the light of the key component of administrative capacity, Table 4.4 identifies some lessons learned from the period 1994-1999.

⁷⁹ Until 1997, there were two main economic ministries: the Ministry of Treasury and the Ministry of Budgeting. The *Decreto Legislativo* 430/1997 merged the two ministries in order to promote an organizational rationalization and a stronger economic ministry

Table 4.4 Lessons learned from the period 1994-1999

	<i>Strengths</i>	<i>Weaknesses</i>
<i>Management structure</i>	Improved ability in managing structural funds, due to a more active role of coordination taken by the Ministry of the Treasury.	Vertical hierarchy and watertight separation between different departments (particularly in regions) still hampered transfer of know-how and flexible adaptation to the needs of the programming cycle.
<i>Programming</i>	For the first time sector actions reflected sector needs at local level	Absence of a integrated SWOT analysis and of a clear strategy for Objective 1 development.
<i>Monitoring/evaluation</i>	Adequate efficiency of financial monitoring; For the first time widespread use made of independent evaluation in the national OP: each OP had its evaluator.	Very low efficiency, and often complete absence, of physical monitoring; Evaluation did not support decision-making mechanisms for many reasons: late start up (about 1999); low priority given by administrative bodies.
<i>Partnership</i>	Strong improvement of vertical partnership; Reinforcement of co-ordination and direction by the Treasury.	Poor involvement of horizontal partnership in the decision-making mechanism; The participation of many local institutions in the OPs was not reflected in the decision-making mechanism.

Source: Ismeri Europa, 2002

These adjustments at national level were also reflected at the regional level, although the modification of regional behaviour proved to be more challenging than expected. The continuing difficulties in regional interaction served to illustrate the fact that the national level had an incomplete understanding of what was going on at the lower levels of planning and implementation, and that this gap had to be reduced very quickly.

4.4.2 Introducing mechanisms for the modernization of Public Administration

At the end of the second planning period, 1994-1999, it was clear that administrative bottlenecks had to be addressed at both the national and regional level. Therefore, in 1999, in preparation for the third CSF, the DPS invested a lot of its energy and resources into a campaign to promote the modernization of Italian public administrative structures and behaviour (Ministero del Tesoro, 2002; 2003; 2004; 2005). Appropriate incentive systems had to be created so as to persuade regions to implement administrative reforms and pursue high levels of outputs. The same approach was also applied to the central administration.

The first step in this direction was taken by the EU, with its initiative to increase the effective use of Structural Funds, Council Regulation n. 1260/1999, provided for the creation of a performance reserve (art. 44). The performance reserve foreseen by the regulation was considered an opportunity to hasten the upgrading of the MA and reach higher quality standards in the implementation of the programmes. The level of this reserve was set at 4% of the commitment appropriations.

The Italian government considered the performance reserve a key incentive for improving the implementation of Structural Funds for the period 2000-2006 in Objective 1 areas. On this basis, it has decided to strengthen the Commission's proposal⁸⁰ by adding to the 4% reserve an extra 6% national performance reserve. The latter⁸¹ was conceived as a tool to incentivize regional government to implement some of the administrative and political reforms previously discussed – e.g. delegation of managerial responsibilities to officials (D.lgs. n. 29/1993); increasing the rate of expenditure and the quality of public spending; and developing the capacity of the public administration to interpret and study the socio-economic conditions of each regional territory where investments were to be directed. Overall the reserve mechanism aimed at the modernization of the public administrative structure, which was deemed essential to reaching the expected results.

The design of the 6% reserve was divided into three blocks of indicators, namely; institutional enhancement; integration and concentration (Table 4.5). The first block included 10 indicators for regions. For institutional “enhancement”, among the different features of the administrative reform, the performance reserve mechanism rewarded the transition from the former normative-hierarchical approach to administration towards a performance-oriented one where officials were delegated higher responsibilities and had

⁸⁰ The Commission proposal for the 4% reserve is contained in “Implementation of the performance reserve for objective 1,2 and 3”, Working document 4, Directorate General, Programme Coordination and Evaluation of Operations

⁸¹ A complete and detailed description of the Italian 6% reserve criteria and mechanism design is contained in the 2000-2006 Objective 1 CSF (§6.5 and annex D) and in the document “QCS Obiettivo 1 – 2000-2006; Criteri e meccanismi di assegnazione della riserva di premialità del 6%”

defined targets, and where such elements are part of a contract that is monitored (indicator A.1.1). The reward for implementing an internal management control system is formulated along the same lines (indicator A.1.2). As previously highlighted, the success of the CSF depended mostly on the capacity of regional governments, to which the implementation of the majority of funds was delegated, to screen and select the interventions that were most relevant for their territory, and to monitor and evaluate their impact in terms of their contribution to improving supply externalities and intermediate objectives. A proxy for this is the indicator that measures if regional and central administrations have set up and implemented monitoring and evaluation mechanisms and equipped the responsible units with sufficiently qualified human resources to perform those functions (indicator A.1.5).

Table 4.5 Criteria and indicators for the allocation of the 6% reserve

CRITERIA	INDICATOR
A1. INSTITUTIONAL ENHANCEMENT	
Implementation of the national legislation fostering the process of PA reform and procedural slimming	A.1.1 Delegation of managerial responsibilities to officials (legislative decree n. 29/93) A.1.2 Set-up and implementation of an internal control management unit A.1.3 Implementation of one back-stop shop A.1.4 Implementation of employment services
Design and implementation of organizational and administrative innovation to accelerate and make effective Structural Funds spending	A.1.5. Set-up of regional and central administration evaluation units A.1.6 Development of the information society in the PA
Implementation of measures aimed at the implementation of sector reforms	A.1.7 Preparation and approval of territorial and landscape programming documents A.1.8 Concession or management by a private-public operator of integrated water services (L.36/94) A.1.9 Choice of management mode and its implementation for urban solid waste within optimal service areas A.1.10 Set-up and operational performance of regional environmental agencies
A.2 INTEGRATION	
Implementation of territorial integrated projects	A.2.1 Incidence of commitments of integrated territorial projects versus the total amount of resources budgeted for integrated territorial projects in the operational programme
A.3 CONCENTRATION	
Concentration of financial resources	A.3.1 Concentration of financial resources within a limited number of measures

Source: Anselmo e Raimondo, 2000.

As for integration and concentration, both criteria were based on the underlying assumption that when resources are limited, as they always are, only a restricted number of objectives can be achieved and that, for each objective to be reached, all pertinent interventions have to be implemented following both a logical and temporal integration path.

Clearly the main purpose of the performance reserve and the correlated criteria was to reinforce at regional level the implementation of the administrative reform that was taking place at the national level. The indicators suggested by the DPS caught only partially the aspect of administrative capacity defined in this thesis. Indeed, my definition and correlated indicators for measuring administrative capacity are more focused on the actions of the regional administration relevant to improving public spending. The concept used by the DPS, however, was broader, and covered various aspect of the whole institution (that is why the DPS phrased its performance objectives in terms of “institutional enhancement” rather than administrative capacity building) (UVAL, 2002a). Although, some of the indicators used by the DPS were similar to the ones used in my fieldwork, namely: management (indicator A.1.1 and A.1.2); programming (indicators A.2.1 and A.3.1); and monitoring and evaluation (indicator A.1.5).

Table 4.6 shows that by the end of 2002, after three full years of implementation, Basilicata was the region that fully satisfied the DPS institutional indicators and reached the highest level of performance in the three group of indicators. Sicily, although not among the lowest performers, was still far behind Basilicata, given its inability to satisfy the indicator on the programming of resources in an integrated manner. As far as the institutional indicators were concerned, Sicily managed to fulfil 80% of the required objectives.

Table 4.6 National Reserve. % of satisfaction for set of indicators (December 2002)

Regions	A.1. Institutional Enhancement	A.2. Integration	A.3. Concentration	Total
Basilicata	100%	53%	98%	88%
Calabria	30%	0%	59%	27%
Campania	60%	100%	58%	70%
Puglia	80%	0%	98%	63%
Sardinia	10%	53%	59%	29%
Sicily	80%	0%	59%	57%

Source: UVAL, 2002

The Director of the DPS⁸² commented on these results as follows:

“The incentive device has definitely had a positive impact in terms of pushing the regions to implement the appropriate reforms. This experiment has proven that the central government should have a role in overall guidance and should not be invasive as in the past. There is evidence to support the idea that the regions, if correctly supported, can increase their (institutional) capacity and performance”(Recorded Interview).

4.4.3 The third CSF 2000/2006: the completion of the policy shift

The 2000/2006 Objective 1 planning process gave the Italian government a chance to finalize the shift towards a more appropriate policy approach with the intention of increasing the capacity of the regional governments to manage, programme, monitor and evaluate the use of the available resources. This, as said, comes after a long period of time in which regional policies were designed to compensate for the competitive disadvantages suffered by lagging regions with a sectorial, top-down approach, based mainly on incentives for the private sector.

The significant amount of resources (40 billion Euro of European and national public resources), the possibility of designing a new set of rules governing their use, and the constraints imposed by the European level in terms of accountability and credibility made it possible to put into practice some of the lessons learnt during the previous decade.

⁸² Interview with Fabrizio Barca, DPS (Rome, 20 January 2006)

The new 2000-2006 CSF promoted three revolutionary features. First of all, Italy institutionally structured the interaction between different levels of government in the management of the Funds through monthly meetings of the regional presidents and a formalized consultation process between the regions and the national government and between the national government and local authorities. The Italian model is, for all practical purposes, an example of “cooperative federalism” where the component elements of the overall state apparatus (i.e., national, regional and local governments) cooperate in arriving at decisions on important issues dealing with the management of Structural Funds.

Second, there has been a consistent move towards a “regionalisation” of the management of Structural Funds; that is, shifting down to the regions the bulk of both greater allocation and responsibilities of Structural Funds spending. Indeed, the CSF allocated 80%⁸³ of the overall funds and the responsibility for selecting projects to the six Objective 1 regions (Campania, Basilicata, Calabria, Puglia, Sicilia and Sardinia) and to one phasing out region (Molise). The central government remains directly responsible for some Operational Programmes (e.g., transport, research, education, enhancing law enforcement, etc.). The Ministry of the Treasury functioned as the overall Managing Authority for both the CSF and the Operational Programmes, financing central government technical assistance and innovative actions on behalf of the regions. Each region was in charge of its own ROP and provided the personnel for the Managing Authority. The increased responsibilities allocated to regional governments were fully justified by the fact that the regions were in the best position to set regional priorities, manage the regional programme, monitor the implementation of the programme, and maintain close contacts with social and economic partners, in addition to interacting with provincial and local governments in the implementation of specific sub-regional projects.

⁸³ Compared to less than 50% in the previous CSF (1994-1999).

Finally, for the first time attention was paid to supporting the regional institutions in developing and upgrading the capacity necessary to successfully implement the available resources.

4.5 Conclusion

In this chapter I have analysed the significant shift that took place in the Italian tradition in the 1990s. Indeed, after 40 years of centralized intervention characterized by convoluted administrative procedures, inefficient political actions and an overall poor performance, the Italian State underwent an unprecedented level of reform both in the political and administrative spheres that aimed to improve institutional capacity and accountability.

On the same note, a campaign to promote the modernization of regional public administration, and particularly an increase in regional administrative capacity, started in coincidence with the beginning of the third Structural Funds planning period (2000-2006). This challenge was faced by the new department established in 1998 in the reformed Ministry of the Treasury, namely the *Dipartimento Politiche di Sviluppo e Coesione* (DPS – Department for Development and Cohesion Policies). The DPS promoted the creation of a tool to strengthen specific administrative and institutional reforms at the regional level and to increase the effectiveness of public spending on local economic development. Finally, after years of ignoring the importance of the regional government in pursuing development policies, the Italian state began to face up to the problems associated with the performance of regional and national administrations in the management of cohesion policy. As already discussed, although there was no specific reference to administrative capacity, there was a growing interest on the part of the national government in pushing the regional institutional enhancement. The word “enhancement” summarizes the logic behind the state approach to promoting administrative reforms – i.e. that it was assumed that the regions possessed the basic requirements but that there was the need to improve them. Conversely, I believe that

some regions did not possess what I have defined as administrative capacity key actions and needed to develop them from scratch.

In light of this background, Chapter 5 will scrutinize in depth the first part of my central hypothesis, which is that regional administrative capacity is positively correlated to Structural Funds implementation. Therefore, I will first of all assess the degree of administrative capacity that existed in both Sicily and Basilicata by measuring it according to the indicators presented in Chapter 2. My analysis covers the first (1989-1993), second (1994-1999) and part of the third (2000-2006) planning period of Structural Funds – i.e. from 1988 until 2004.

PART III
EMPIRICAL ANALYSIS:
PRESENTING AND DISCUSSING THE RESULTS

Chapter 5

Assessment of administrative capacity in Sicily and Basilicata

5.1 Introduction

In Chapters 3 and 4, I established the overall common background shared by my two case studies. I highlighted the features of the Italian bureaucracy and focused on the process of regional policy implementation from the creation of the regions onwards. I have divided Italian regional policy into two main periods. The first, from 1950 until 1992, was characterized by the centralized intervention of the Italian state in southern regions, which left those regions with no experience in the management of development plans. The second period began in 1992 when a radical reform took place in the political and administrative spheres of the Italian government. These reforms supported a remarkable policy shift at the central level, which was slowly incorporated at the regional level as well. It was only during the third CSF cycle of 2000-2006 that the issue of performance by regional administrative structures emerged as an important consideration in the implementation of cohesion policy in Italy and the EU at large.

Furthermore, the background retrospective carried out in Chapters 3 and 4 was intended to eliminate some possible explanations for regional variation. Indeed, the analysis revealed that both Sicily and Basilicata were equally affected by centralized intervention; both were ruled by the same centre-left political coalition; they both had a history of foreign subjugation; the *mafia* was active in both of them; according to Putnam (1993) they had the same level of social capital; data on the education and training of the administrative class suggest that it was similar in both of them. What,

then, can account for the stark differences in their respective implementations of regional policy?

Chapter 5 marks the beginning of the empirical analysis. The aim of the chapter is to explain the observed dependent variable – i.e. the different rates of expenditure of Structural Funds among Italian Objective 1 regions. Indeed as discussed in Chapter 1, out of all the Member States, Italy had the worst expenditure performance in the three planning periods of Structural Funds (cf. Table 1.1). However, in a national context featuring a lower than average ability to implement allocated funds, there was, in contrast, a higher than average ability on the part of some southern Italian regions to spend the resources.

Indeed, if we take a detailed look at the regional rate of expenditure over the three periods, the situation appears to be as follows. On 31 December 1993, at the end of the first period, the rate of implementation in Sicily was among the lowest, being only 39% of the funds available, whereas Basilicata had already spent an impressive 56% of its total allocation, the highest performance of all the regions (Table 5.1).

Table 5.1 Structural Funds allocation 1989-1993 (Mecu) and % of expenditure

Region	Allocation	% of expenditure by 31/12/1993	% of expenditure by 31/12/1996
Basilicata	768	56%	92%
Abruzzo	593	34%	89%
Calabria	1.156	44%	79%
Molise	344	54%	77%
Sardinia	1.087	51%	77%
Campania	1.617	31%	62%
Puglia	1.027	45%	57%
Sicily	1.687	39%	64%

Source: Author's elaboration on IGRUE data

Similarly, at the end of second planning period (1994-1999), Basilicata again recorded an excellent rate of expenditure while Sicily registered the lowest (Table 5.2).

Table 5.2 Structural Funds allocation 1994-1999 (Mecu) and % of expenditure

Region	Allocation*	% of expenditure by 31/12/1999	% of expenditure by 31/12/2001
Abruzzo	361	60%	100%
Basilicata	1.272	58%	100%
Molise	616	53%	99%
Sardinia	1.816	64%	92%
Calabria	1.911	46%	84%
Campania	3.091	55%	80%
Puglia	2.645	53%	77%
Sicily	3.194	40%	75%

Source: Author's elaboration on IGRUE data

Finally, in the latest period studied (2000-2006; data available until end 2004), Basilicata remained the best in terms of expenditures whereas Sicily still registered delays in its ability to spend Structural Funds although the available quarterly data on Structural Funds expenditure for this period seems to show that the gap between the two regions decreased (Table 5.3). The difference dropped from a gap of 28% at the end of 1996 to 25% at the end of 2001, while the latest available data shows a further decline to a gap of 15% at the end of 2004.

Table 5.3 Quarterly Structural Funds expenditure 2000-2004 in percentage

	Year 2000		Year 2001		Year 2002			
	31-Dec	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec
Basilicata	1.05%	2.49%	2.18%	4.76%	5.82%	8.15%	16.90%	19.20%
Sardinia	1.56%	2.66%	4.98%	7.82%	6.09%	7.78%	11.04%	13.90%
Calabria	0.48%	0.48%	3.18%	3.82%	3.67%	8.46%	10.18%	10.70%
Puglia	0.30%	0.30%	4.00%	4.15%	4.48%	3.26%	5.39%	7.50%
Campania	0.00%	2.40%	3.37%	4.04%	4.34%	5.76%	6.27%	7.90%
Sicily	0.00%	0.30%	0.44%	0.74%	0.80%	1.01%	3.71%	6.00%

	Year 2003				Year 2004			
	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec
Basilicata	20.60%	23.10%	24.40%	28.30%	31.20%	31.00%	34.60%	38.50%
Sardinia	16.20%	18.60%	21.90%	24.80%	27.10%	29.30%	30.40%	32.40%
Calabria	11.20%	12.10%	19.50%	19.30%	20.30%	23.40%	26.80%	31.10%
Puglia	10.20%	11.60%	15.00%	18.50%	19.10%	20.10%	21.30%	26.10%
Campania	8.40%	8.70%	14.20%	16.80%	17.70%	19.20%	26.10%	26.00%
Sicily	6.50%	7.50%	9.60%	15.00%	16.60%	18.30%	21.80%	23.00%

Source: Author's elaboration on IGRUE data

Based on this empirical evidence, we seek to understand why this is the case and what happened in some Objective 1 regions vis-à-vis others. How can we explain these differences in regional performance?

The hypothesis tested in this chapter aims to investigate the role of administrative capacity in explaining the implementation rates in my two case studies of Basilicata and Sicily. I suggest that there is a positive correlation between administrative capacity and Structural Funds implementation – i.e. a low/high implementation of Structural Funds is determined by a low/high degree of administrative capacity. The testing of the hypothesis will be based on the four key components of the concept.

The chapter is divided into four sections, each of which scrutinizes one of the key actions, in order to assess the degree of administrative capacity both in Sicily and in Basilicata according to the indicators established in Chapter 2. Section 5.2 analyses the management features present in Sicily and Basilicata in terms of the clarity of roles among personnel and coordination between the various departments involved in the implementation of the Structural Funds. Section 5.3 assesses the features of the programming approaches adopted in terms of strategy coherence and timing for approval. Finally, Sections 5.4 and 5.5 appraise the activities of each region's monitoring system and evaluation culture respectively.

In order to assess the degree of administrative capacity, besides using for each period the available primary⁸⁴ and secondary sources, the analysis will draw on my own observations and interviews based on questionnaires completed by the four categories of relevant actors: (1) the Management Authority staff; (2) the general managers and managers of each department using Structural Funds; (3) the politicians – i.e. the *assessore* (assessor); and (4) the civil servants with key roles in Structural Funds implementation not included under points 1 and 2.

⁸⁴ The main documents consulted were: the national CSFs for 1989-1993, 1994-1999 and 2000-2006; the Sicilian and Basilicata Regional Operational Programmes for the three periods; the respective Programme Complements; *ex-ante*, *ex-post* and intermediate evaluations for each region for the three different periods; each annual report on Structural Funds implementation for each region; the corresponding European, national and regional legislation covering this policy area.

The first round of interviews was carried out in June and July 2005, and the second round in June and July the following year (Annex I). As explained in chapter 2, 29 actors were covered by the sample taken in Sicily – all 29 filled in the questionnaire, and 10 also provided an oral interview. In Basilicata, however, it covers 41 people – again, all 41 actors filled in the questionnaire and 26 of them agreed to participate in an oral interview. The main difference is that in Sicily I was not able to interview as many people as in Basilicata (only those interviewed were able to provide complete information): others that were contacted – some division managers and related civil servants – answered that they were not in a position to answer my questions mainly because of limited knowledge. In Basilicata, however, all of the people I contacted were able to provide information and agreed to participate in the interviews.

A limitation encountered during the field research was the availability of documentation covering the period 1989-1993. Very little exists for both regions. I have tried to supplement the lack of primary and secondary sources with information gathered through the interviews.⁸⁵ Nonetheless, very few people were fully aware of the details of the first programming period. This was mainly because many of the people present in the regions at the time of the research were not employed during that first period. Where there was some knowledge, it was more detailed in Basilicata. Therefore, for the 1989-1993 period the collection of information was heavily dependent on regional government documents and personal interviews. All of the citations used in the text were gathered through personal interviews and have been translated into English by the author.

⁸⁵ As previously stated, for the purpose of testing my hypothesis – i.e. that variation in Structural Funds implementation can be explained by the degree of regional administrative capacity – which has not been previously investigated, the case study and the correlated fieldwork are essential as they provide unedited information that could validate my suggestions.

5.2 The degree of management

Management of public policies has never been easy but it became even more difficult with the introduction of the Structural Funds. The introduction of the cohesion policy brought with it a new approach to the expenditure of resources. Many authors have argued that the logic behind the new system enabled the government not only to spend these additional resources, but also to improve public spending in general (Barca, 2001b; Leonardi, 2005). Indeed, the principles underpinning the expenditure of the Structural Funds introduced a method of managing, programming, monitoring and evaluating the resources that was previously unknown in Italy or in other Member States – e.g. Greece, Portugal, Spain and also Germany, the UK and France. Given that the Structural Funds were awarded to a country or region on the basis of a signed contract – i.e. the Community Support Framework⁸⁶ (CSF) and the Operational Programmes (Ops) – the task of coordinating the implementation and accounting for expenditures became a vital necessity. Therefore, it was important to identify explicitly at both national and regional level the person responsible for the implementation of the programme and for reporting expenditures to the Commission.

During the first CSF cycle, 1989-1993, this administrative exigency was not clearly spelled out and the administrative solutions varied from country to country. By the second CSF cycle, 1994-1999, the need for clarity and certainty in “identifying” the person and office responsible for implementation became a necessity that was in most cases fulfilled by the end of the programming cycle. With the Structural Funds cycle of 2000-2006, the need to create an explicit Managing Authority (MA)⁸⁷ became the basis for finalising negotiations regarding the OPs. Thus in 2000 it was necessary to set up a MA within each level of government responsible for the expenditure of Structural Funds. In the Italian case a national MA was created to oversee the entire CSF

⁸⁶ Art.9 of Council Regulation 1260/99 defines the Community Support Framework as “the document approved by the Commission, in agreement with the member state concerned, following appraisal of the plan submitted by a Member State and containing the strategy and priorities for action of the funds, their specific objectives, the contribution of the funds and the other financial resources. This document shall be divided into priorities and implemented by means of one or more operational programmes”.

⁸⁷ The Management Authority tasks are defined by art.34 Reg. 1260/99.

programme, while each national and regional OP had its own dedicated MA assigned the task of putting together the strategy, actions, priorities and funds allocated by the CSF. Indeed, the CSF, which was agreed by the Commission and Italy, was broken down into seven Regional Operational Programs (ROPs), which were managed individually by each of the seven Objective 1 regions⁸⁸.

The ROP is a document comprised of a consistent set of priorities divided into sub-programmes and measures,⁸⁹ which derive from the CSF but are more specific and tied to regional needs. The implementation of the assistance strategy and priorities is detailed in a technical document, namely the Programme Complement (PC), which contains detailed elements at the level of measures. Each regional MA had the responsibility of drawing up both the ROP and the PC. The regional MA was generally located within the Programming Department (*Dipartimento della Programmazione*) and a general manager was appointed to take responsibility for its activities. In recent years, with the reform of Public Administration, this role could be assigned to an individual from within the regional administration or even from outside, i.e., from the private sector or recruited from other regional institutions. In either case, the contract was temporary in nature and its continuation depended upon the results achieved.

In sum, the underlying framework of the Structural Funds suggests that the regional authorities were ultimately responsible for the outputs of the programme and making sure that the Funds were spent on the objectives and projects outlined in the OP.

⁸⁸ In the 2000-2006 cycle, as well as the ROP there were also the National Operative Programmes (NOP), managed by the central administrations: Scientific Research, Technological Development, Higher Education, the School for Development, Security for the Development of the South, Local Development, Transport, Fisheries and Technical Assistance.

⁸⁹ According to art. 9 of Council Regulation 1260/99 a measure is "the means by which a priority is implemented over several years which enable operations to be financed". The same article defines operations as "any project or action carried out by the final beneficiaries of assistance". Within the framework of European economic and social cohesion policy, a measure is the basic unit of programme management, consisting of a set of similar projects and disposing of a precisely defined budget. Each measure has a particular management apparatus. Measures generally consist of projects. Many measures are implemented through a process of Calls for Proposals and subsequent appraisal (Tavistock Institute, 2003:Glossary).

The key role of the MA is to be responsible for the efficiency and correctness of the overall programme in order to deliver the expected results. I suggest, therefore, that it performs two main activities:

- 1) to clarify the role of personnel in the administrative structure of the MA (i.e. who does what, when and how); and
- 2) to co-ordinate the activities of the *assessorati* involved in the implementation of sectorial sub-programmes and measures (i.e. horizontal coordination).⁹⁰

Accordingly to the methodology I proposed in Chapter 2 (cf. Section 2.3.1), I will be using the MA's key activities as indicators of the degree of management in both of the two case studies between 1989 and 2004. I will present the results of the analysis of the component parts for each region in sequence.

5.2.1 Clarity of roles among personnel

Sicily

The drafting and management of the Pluri-fund Operative Programme (POP) 1989-1993⁹¹ was the responsibility of the regional government. Along with the implementation of the POP, the regional authority was in charge of the IMPs, which started in 1986. Both programmes were organised into sub-programmes and measures. The region, in order to respond to the new territorial integrated development planning approach, identified twelve thematic sub-programmes⁹² and assigned the responsibility

⁹⁰ As previously mentioned, investigations carried out in other countries have pointed to co-ordination as one of the main problems in the management of the programmes (OIR, 2003). Indeed, the Objective 1 Programme management structures in Burgenland (Austria) had a total of 17 departments from federal and land level involved in programme implementation, a number which is large in comparison with the programme size. For the purpose of co-ordinating and guaranteeing integration of the measures undertaken by each department, fund-specific coordination meetings were instituted under the chairmanship of the MA. The coordinating meetings, which took place every six weeks, constituted the central decision-making body and played a major role in harmonising the varying interests of the federal level and the Länder.

⁹¹ This is the name of the first and second programming documents. In the third planning period the same document was called ROP.

⁹² Infrastructure and Network; Industry, Craft and Services; Tourism; Environmental Protection; Training; Research and Innovation; Technical Assistance, Information and Monitoring; Agricultural Infrastructure; enhancement of traditional cultivation and promotion of new one; Environment Protection; Support to the enterprise income; Human resources enhancement.

of implementation to the appropriate assessorato.⁹³ Following this criteria, the interventions financed by the ERDF came under the authority of the regional Presidency, Programming Department; the EAGGF interventions were assigned to the Assessorato of Agriculture; and the ESF sub-programme was the responsibility of the Assessorato for Labour. The other assessorati – Cultural Resources; Budget; Cooperation, Trade and Fisheries; Industry; Territory and Environment; Public Works; and Tourism, Sport and Entertainment – were involved according to their area of responsibility.

From 1989 to 1993, a Joint Committee of the three different assessorati in charge of coordinating the activities of each Fund was created in order to guarantee coherence in Structural Funds intervention (Arthur Andersen, 1995). The Committee acted on the basis of regular meetings with the aim of coordinating the whole programme activities. However, these coordinating activities were only a formality. In reality,

“the responsibility for the management of those funds remained entirely in the hands of the three different assessorates, and the Committee never really acted as a strong coordinating body”⁹⁴.

There is only one available report relevant to the activities associated with the management of the Structural Funds during the first period, 1989-1993, namely the Evaluation Report on the POP submitted by Arthur Andersen Consulting & Co. on 15 November 1997 (four years after the end of the first planning period). An examination of this primary source reveals that the regional administration encountered great difficulties in managing the programmes. The two main indicators for benchmarking management – i.e. clarity of role among personnel, and horizontal coordination among assessorates – appeared to be lacking. Indeed, an accurate review of the evaluation report supported by my personal interviews leads to two main conclusions.

First, there was a lack of clarity in the roles assigned to the administrative personnel within the planning assessorato as well as in the other assessorati involved in the implementation of the sub-programmes and measures. Indeed, the report states that

⁹³ As mentioned in chapter 3, in each of the 12 assessorates, as well as the political figure, i.e. the *assessore*, there is an administrative position, namely general manager (*dirigente generale*), which should be responsible for the management of the programme. It is only with Law n.10/2000, however, that we witness a formal separation of powers between administrative and political responsibilities.

⁹⁴ Interview with Giuseppe Morale, Region of Sicily. (Palermo: 4 July 2005)

“the staff was randomly doing everything. Along with its ordinary duties, the staff was dealing with the extra administration related to the implementation of the Structural Funds, which caused a significant increase in workloads” (Arthur Andersen, 1997:90).

Secondly, each *assessorato* acted on its own with no co-ordination within or between the departments comprising the regional administrative structure. This evaluation was corroborated by officials present during that period who declared that

“the roles among the staff were not well defined and there was no coordination of activities among the different departments which led most of the time to a duplication of action.”⁹⁵

This state of affairs was mainly caused by the absence of a well-developed coordination framework and the lack of preparatory measures taken to facilitate the introduction of a new and more complex method of implementing regional programmes.

Undoubtedly the Structural Funds, which have very specific requirements, posed additional challenges to the administrative system. No changes were made at the time to the administrative structure and personnel were randomly overloaded with extra work. This created a situation of overall confusion and duplication of efforts among the personnel, “[who] had no clear indication of what to do”.⁹⁶ Ultimately this situation created friction and discontent among the personnel. In the absence of a co-ordination body to which to refer, everyone was left to act on their own. As revealed by the interviews, the main constraint on introducing an adequate framework within which to carry out the new tasks was the political class,

“which was rather pleased with such a confused situation, that allowed them to interpret and manage the implementation of the funds according to their personal agendas and bypassing the administration”.⁹⁷

Similar problems characterised the period 1994-1999. It was only during the third planning period, 2000-2006, that the regional administration began a process of organisational restructuring on the heels of the explicit requirements introduced by the

⁹⁵ Interview with Emanuele Villa, Region of Sicily. (Palermo: 29 June 2005)

⁹⁶ Interview with Francesca Marino, Region of Sicily. (Palermo: 27 June 2005)

⁹⁷ Interview with Giuseppe Morale, Region of Sicily. (Palermo: 4 July 2005)

1999 EU regulations. A new regional law (L.R. n.10/2000)⁹⁸ clearly distinguished the political function and responsibilities of the Regional President and *Assessori* from the administrative duties of the general managers, division manager and civil servants. The implementation of this law radically transformed the structure of the regional government with regard to the administrative responsibilities of the general managers. They were now granted full responsibility over carrying out each measure covered by their own department.⁹⁹ In order to improve the clarity in the definition of the role and the need for coordination and cooperation between different departments, the regional giunta approved the specification of the person responsible for the implementation of each intervention, with Decision n.332 (18 September 2001). The same document established the conditions governing the coordination role of the MA.

L.R. n.10/2000 guaranteed that the administration was accountable for the management of the Operational Programme (OP), whereas the political class was responsible for providing the general strategic guidelines.¹⁰⁰ Setting these boundaries contributed significantly to clarifying the roles of specific individuals and reducing the blurring of responsibilities.

Basilicata

The regional government of Basilicata behaved similarly to that of Sicily in the way it assumed the responsibility of implementing the 1989-1993 OP. The interventions financed by the ERDF fell under the authority of the Presidency, Programming Department, and the EAGGF and ESF interventions were allocated to the Assessorato of Agriculture. The remaining four assessorati, namely Policies for Enterprise, Environmental Protection, Infrastructures, and Vocational Training, intervened in their areas of competence.

⁹⁸ L.R. n.10/2000 takes in the national Law Decree n.29/1993 on the privatisation of public employment.

⁹⁹ The denomination "department" replaces the previous "direction".

¹⁰⁰ In chapter 6 we will see that setting these boundaries limited political interference in the administration of the policy and was the major reason for the improved performance registered by Sicily during the latest period of implementation.

The main difference that I found between the OP management in Basilicata and that in Sicily was that the former created an ad hoc structure to undertake the technical and administrative coordination of the POP under the guidance of the Programming Department, namely the "Cabin of Direction" (Cabina di Regia) or headquarters to manage the policy. The Cabin of Direction was created by the region to cover the administrative necessity of coordinating the activities of various departments involved in the implementation of the operational programme. The other advantage of having a body in charge of coordination was that the roles of the various individuals involved in the administration were clearly defined.

Some start-up problems were experienced at the beginning of the 1989-1993 programme because of the novelty of the Structural Funds mechanisms. Those initial difficulties were definitively overcome by the beginning of the second planning period, 1994-1999. This was possible thanks to the ongoing formal and informal meetings between the staff, which aimed to share information and experience (Ecosfera et al., 1999). This practice of sharing and solving problems together gave everyone involved in implementation an understanding of the mechanisms involved in the operationalization of the Structural Funds and an awareness of best practice.

The experience accumulated during the previous two planning periods allowed the Basilicata region to set up its MA, for the purpose of managing programme implementation, without difficulty in 2000. At the time of establishing the MA it was possible to define the terms and conditions for programme implementation, in addition to specifying the deadlines by which measures had to be implemented and the obligations of each department in the sharing of information and good practice (Regione Basilicata, 2001). Each department was aware that if it ran into difficulties it was clear who was responsible for resolving problems and making the necessary adjustments.

The establishment of such a clear working framework facilitated clarity of responsibility and the division of roles between personnel. Furthermore, the division of duties among personnel was coherent with each area of responsibility (Ecosfera, 2000:29).

As one interviewee declared,

“following this criteria of allocating responsibility according to staff background and as closely as possible to their ongoing activities within the regional administration has facilitated the process of taking on a greater workload, without creating a blurring of role or confusion of responsibilities over who does what”.¹⁰¹

What emerged from the interviews was an overall tendency among the staff at every level to collaborate, in contrast to the picture that emerged in Sicily. This attitude appears in both cases to have been stimulated by the political class. As I will discuss in more detail in Chapter 6, in Basilicata

“a non-opportunistic, pro-active behaviour exemplified by the political class has favoured the spreading among the administrative class of a similar type of behaviour” (Mancinelli, 2001:312).

5.2.2 Coordination of activities among different *assessorati*

Sicily

In Sicily, there was another crucial factor accounting for the deficiency in management, along with the lack of clarity around the role of the personnel: poor coordination between the different *assessorati*. As we saw in the previous section, this was caused by the absence of a pro-active structure/body dedicated specifically to the implementation of Structural Funds intervention. Indeed, as both primary and secondary sources (documents and interviews) clearly reveal, the Joint Committee did not perform its role of coordination, and was a very weak body without full charge of the overall management of the programme. The weakness of the Committee can be traced back to the fact that

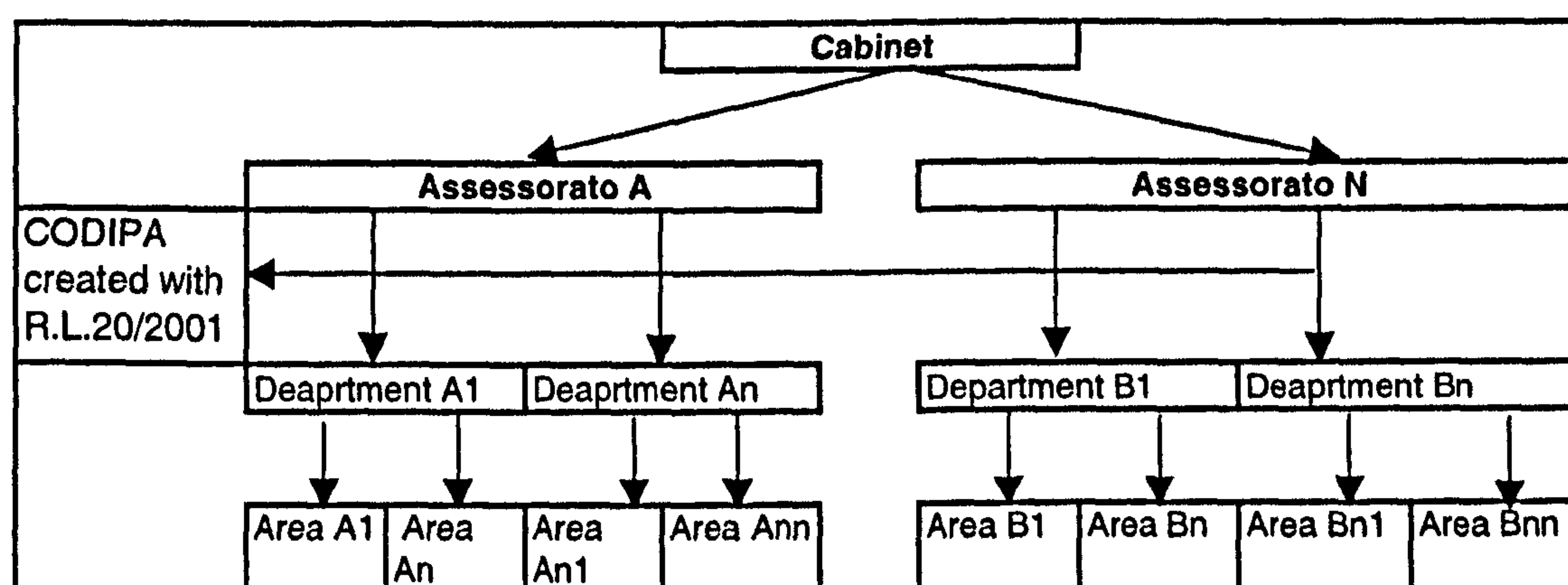
“it was not supported by the political class, which was bypassing the Committee’s authority and taking decisions autonomously.”¹⁰²

¹⁰¹ Interview with Maria Teresa Lavieri, Region of Basilicata (Potenza:7 June 2006)

¹⁰² Interview with Giuseppe Morale, Head of the Structural Funds Committee for 1989-1993 and 1994-1999. Region of Sicily. (Palermo: 4 July 2005)

The problem of coordination was increased not only by the absence of a politically recognized coordination structure, but also by a vertical and compartmentalized administrative hierarchy that did not favour exchanges between different *assessorati* and made management an individual concern. These circumstances led to a situation where the transfer of knowledge and information was very limited and hierarchical. Indeed, the organizational chart (Figure 5.1) of the regional government was based on a divisional structure, rooted in the principle that each assessore was responsible for its assessorate in front of the Cabinet. Consequently, each *assessorato* acted totally autonomously, and there was no communication between the different branches.

Figure 5.1 Organizational chart of the regional government in Sicily



Source: Author's elaboration based on information given by the regional governments of Sicily

Each *assessorato* was divided into two levels, departments (*dipartimenti*) and areas (*aree*), for a total of 12 assessorates and 22 departments. Each area was responsible for some activities, and again there was a lack of communication/coordination even within individual *assessorati*. Each member of staff was concerned only with the result achieved by his own department and not with the overall functionality of the administrative structure in guaranteeing particular results. This compartmentalized vision of the administration was an obstacle to the overall performance of the region as an implementer of policy.

The main result of such uncoordinated administrative behaviour was the poor performance during the period 1989-1993, when Sicily spent only 39% of its total allocation, registering the lowest level of expenditure of all of the eight southern Italian

regions (cf. Section 5.1, Table 5.11). In the light of these results, the regional government established that the Programming Department, in addition to being responsible for the FESR, should coordinate all the different *assessorati* in activities related to the planning and implementation of the overall programme.

The new POP of 1994-1999 clearly spelled out the role of each *assessorato* and the regional officer within it responsible for managing the single sub-programmes and measures. Specifically, it was established that the Director of each department was responsible for the sub-programmes, whereas the officer responsible for each measure was to be appointed by the *assessore* under the *assessorato* in which the measure would be implemented (Regione Sicilia, 1996: 6 Part V).

Despite this innovation of having the whole Programming Department in charge of overall coordination, operational incompetence still affected the regional administration. Indeed, the necessary improvements to the organisation and management of the distribution of tasks and resources were still not clearly defined. As a whole, the management system was still deficient. It was not enough to create a new management structure; it was also necessary to allow the technical personnel in charge of management freedom to manoeuvre. This was not the case in Sicily, where, as Chapter 6 will reveal, a constant level of political interference limited the decision-making powers of the administrative structure.

Finally, at the beginning of the 2000-2006 period the regional administration set up a MA whose General Manager was hired from the national administration.¹⁰³ There was a general agreement, corroborated by primary, secondary and interview sources, that with the creation of a centralized administrative structure headed by an individual from outside of the regional administration, the situation in terms of clarity of role and responsibilities and coordination improved significantly (Ernst & Young, 2003a). Furthermore, in 2001, Law n.20 created a Committee of Coordination of the Departments (*CODIPA – Comitato di Coordinamento dei Dipartimenti*) within the

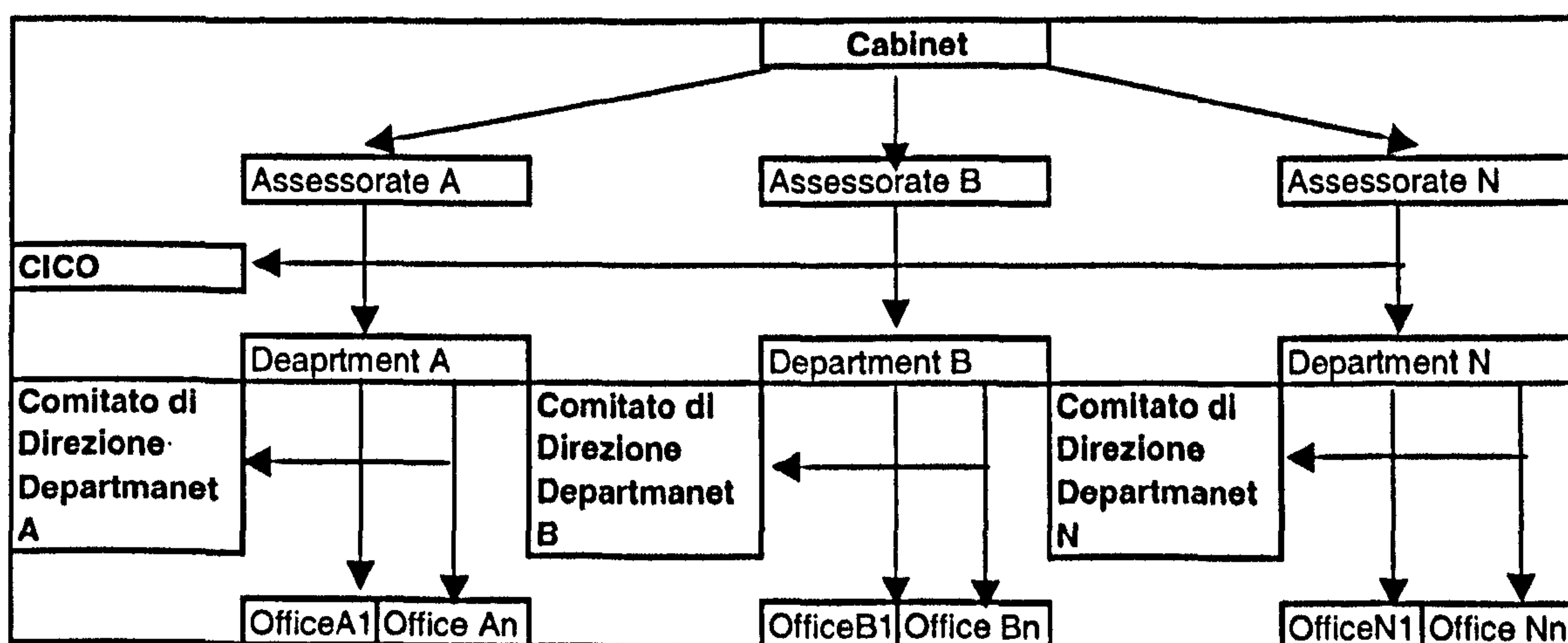
¹⁰³ The actual general manager of the MA in Sicily, Gabriella Palocci, was the former Director of the Department of Development and cohesion policy at the Ministry of Treasury, the Budget Ministry and the Ministry of Economic Programming.

Presidency of the region. The tasks assigned to the Committee were: (i) to ensure a full correspondence between the managerial activity and the political directions; (ii) to increase integration and coordination between the operating structures of the administration; and to promote the simplification and effectiveness of administrative actions. All the general managers of the different departments were members of CODIPA: this represented an opportunity to share and discuss common administrative problems in the implementation of the operational programme.

Basilicata

Basilicata had a vertical structure similar to that of Sicily. The main difference, though, was the existence of coordination bodies at various levels (Figure 5.2). Indeed, I found that in Basilicata coordination activities were considered essential to the functioning of the whole organization. Three bodies existed to cover this role: (1) the Interdepartmental Committee for Management Coordination (CICO – Comitato Interdipartimentale di Coordinamento Organizzativo), comprised of the general managers of each department and directed by the general manager of the Dipartimento Presidenza della Giunta; (2) the Comitato di Direzione, created within each department, comprising all of the lower division managers and directed by the general manager of the department; (3) the Conferenza di Organizzazione, in which all members of the staff of each department participate along with other third parties, such as the trade unions (Figure 5.2).

Figure 5.2 Organizational chart of the regional government in Basilicata



Source: Author's elaboration based on information provided by the regional governments of Basilicata

Clearly, in Basilicata coordination of activities was ensured at each level. This was the key element that enabled Basilicata to manage the use of EU funds well. Furthermore, each of the six *assessorati* corresponded to one of the six departments.

Indeed, based on this logic, what made the difference for the management of Structural Funds in Basilicata was the creation of the Cabin of Direction,¹⁰⁴ which was in charge of the coordination of the activities related to the POP of 1989-1993 and of 1994-1999, in order to overcome the shortages caused by sectorial and departmental division in the regional administration. The Cabin of Direction was organized on two main levels: a political level where the decisions were taken by the regional Cabinet and the Mixed Committee (*Comitato Misto*); and a technical level where the decisions were taken by the Interdepartmental Technical Commission (CTI – *Commissione Tecnica Interdipartimentale*)¹⁰⁵ and by the Staff Office for Community Policy and Programme (*Struttura di Staff Politiche e Programmi Comunitari*).

The members of the Mixed Committee were the President of the Cabinet, three representatives of the local authorities' association, three representatives of the trade unions, three representatives of the entrepreneurial associations, four representatives of the labour organizations, and a representative of the environment association. The Mixed Committee had three main roles: (1) to propose criteria for the formulation of the programs; (2) to advise the Regional Cabinet and the Interdepartmental Technical Commission on the implementation, evaluation and the re-planning of the programmes; (3) to enable the diffusion of information on programme implementation.

Clearly, the Mixed Committee acted under political direction, but the Interdepartmental Technical Commission constantly monitored its actions. The members of the latter were the managers responsible for each Structural Fund and the managers responsible for the sub-programmes and/or measures. The coordination was left to the general manager of the Programming Department. The CTI was in charge of coordinating the administrative, technical and managerial issues related to the implementation of

¹⁰⁴ Cabinet resolution n.502, 19 February 1996

¹⁰⁵ Created with D.G.R. 7523 dated 10 November 1997

Structural Funds. In carrying out these responsibilities the CTI was supported by the Staff Office for Community Policy and Programme, composed of experts and technical staff competent in the specific fields of Structural Funds intervention (Regione Basilicata, 1996b: 37-42).

The management structure set up for the Structural Funds with the above terms was capable of guaranteeing an optimal implementation performance between 1994 and 1999, enabled, among other factors, by constant mediation between the political and technical needs. Indeed, the degree of expenditure reached 58% in 1999 and after the two years' extension, it rose to 100% implementation (cf. Section 5.1, Table 5.2). This achievement speaks for itself.

From the analysis of the overall performance of the 1994-1999 POP, and of its sub-programmes, it emerged that the successful outcomes are in great part tied to the learning and the sharing of objectives, rules, and procedures among the political and administrative classes.

The evaluation report completed by the independent evaluator, documents that the establishment of organizational instruments and procedures produced an ability to coordinate activities effectively between the different departments and the clarification of each one's role with respect to political and administrative duties and responsibilities (Ecosfera *et al.*, 1999:79). All 26 of the people interviewed in Basilicata agreed on the vital role played by the three coordinating bodies, mainly the CICO for the overall organization and the CIT for the Structural Funds. They valued the existence of such technical bodies as the determining elements of the successful implementation of the 1994-1999 Funds. Such an optimal result was possible due to the space of manoeuvre left by the political class, which, instead of interfering, enabled the civil servants to grow and develop their own technical capacities in administrating the Funds.

5.2.3 Management assessment

This section discusses the results that emerged in the answers given to the questionnaire and personal interviews on the issue of management activities. The overall picture that emerges in the case of Sicily is that only in recent years, since 2000, has the regional administration improved in its management of Structural Funds. Indeed, from 1989 until 1999 the management system that was in place was very weak, disorganized and inefficient and did not fully incorporate the rules and regulations of the EC. The interviews revealed this was mainly due to a lack of clarity of roles among administrative personnel and, furthermore, to the poor coordination abilities of the MA. As discussed above, in 2000, with the beginning of the new planning period there was some improvement in the management of Funds. Indeed, whereas before there was no substantial coordination of activities, there is now a whole department dedicated to this task. Above all, the turning point was the increased engagement of the political class with the administrative class, which aimed to try to improve the level of performance. Some problems remain, however, as the analysis of the questionnaires reveals (Table 5.4). An opposite picture emerged in Basilicata, where coordination has always been a priority for the whole regional organization and has been the key contributory factor to the successful management of the Funds.

In Sicily, with reference to the planning period 2000-2006, 60% of the respondents judged the coordination activity of the MA to be “good” and the same percentage felt that clarity of roles among personnel had improved compared to the past (question 1). However, there was still some resistance to collaboration in each department, leading 69% of the interviewees to declare that each *assessorato* worked independently from the others (question 2). As confirmed by the entire sample interviewed:

“this lack of collaboration has always been part of the administrative culture in Sicily and it is still difficult to change. Indeed, each department has always had its own decision-making, political and organizational autonomy; therefore it is hard to dismantle 50 years of such a trend”.¹⁰⁶

¹⁰⁶ Interviews with Emanuele Villa, Region of Sicily (Palermo: 29 June 2005)

Table 5.4 Answers to the questionnaire on Structural Funds management

Questions	Sicily Answers (%)	Basilicata Answers (%)
1) How would you define the coordination activity implemented by the MA?		
a) Good	60	90
b) Satisfactory	40	10
c) Unsatisfactory	0	0
2) Does the MA carry out an efficient activity of horizontal coordination?		
a) Yes	54	70
b) Not enough	46	30
c) No	0	0
3) How would you define the vertical hierarchy in your regional government?		
a) Strong	85	35
b) Weak	15	65
c) There is no vertical hierarchy	0	0
4) Do you think that the vertical hierarchy is an impediment to the correct horizontal coordination of activities?		
a) Yes	54	77
b) No	46	23
5) Do you think that there is clarity of roles between the different <i>assessorati</i> and within each <i>assessorato</i> as far the Structural Funds are concerned?		
a) Yes. Compared to the previous period the roles are more clearly divided.	65	90
b) There is not enough clarity in the division of roles.	25	10
c) There is no division of roles and this causes work to be duplicated.	10	0
6) The different <i>assessorati</i> involved work...:		
a) ...in a coordinated fashion with each other.	31	85
b) ...independently from each other.	69	15
7) Is the MA structured and organized in order to carry out its duties?		
a) Yes, it is fully structured.	31	70
b) Partially; it still needs improvement.	69	30
c) No, it is not adequately structured.	0	0
8) Is the number and quality of the MA staff adequate to carry out the MA duties as listed in art 34 Council Regulation 1260/99?		
a) Yes, the number and quality of staff is adequate.	39	85
b) No, the number and quality of staff is not adequate.	0	0
c) Partially; the number of staff is not adequate.	53	15
d) Partially; the quality of staff is not adequate.	8	0
9) Which are the major obstacles faced by the MA in managing the Structural Funds ?		
a) Understanding the EU rules and procedures.	15	100
b) Resistance within the various departments to co-operation.	40	/
c) Political class resistance/interference.	45	/

Questionnaire carried out in June 2005 in Sicily and in June 2006 in Basilicata

Referring to question 2, someone else added:

“the regional organization of Sicily is based on strong vertical hierarchy, which impedes a smooth and collaborative horizontal coordination of activities. There is a tendency to keep each department’s activity within the boundaries of the department itself and to avoid any sharing of knowledge or experience across departments. Furthermore, the region has the drawback of being divided into 12 assessorates and 22 departments, which represents a large regional administrative structure that in itself constitutes a further obstacle when it comes to coordination of overall activities”.¹⁰⁷

Finally, when asked if the MA was structured and organized sufficiently to carry out its duties, in Sicily 69% of the respondents answered that it still needs improvement; mainly the number of staff appears to have been inadequate in relation to the required duties (question 7). The answer to the last question of the questionnaire is the most striking. Indeed, respondents in Sicily declared that the main obstacles faced by the MA in managing the Structural Funds were, firstly, political interference and, secondly, the resistance to collaboration within the various departments, which was ultimately attributed to the “political equilibrium” (question 9). This last answer itself validates a corollary of the second part of my central hypothesis, which is that management performance is ultimately determined by the nature of political interference. I will investigate this relationship further in Chapter 6.

As the data in Table 5.4 show, a completely different picture emerged in Basilicata. Indeed, here 80% of responses defined the coordination activities of the MA as “good” (question 1). According to 90% of the respondents, the role of administrative personnel had always been clearly stated, as was the case with the role of each assessorate involved in Structural Funds implementation. They were able to work in a co-ordinated fashion (questions 5 and 6). These features allowed the regional administration to achieve relatively optimal levels of performance. From the questionnaire, it emerged that the vertical hierarchy in the region was not very strong and that this facilitated a horizontal coordination of activities (question 4). Furthermore, the 26 people interviewed agreed that the region benefited from being divided into only six

¹⁰⁷ Interviews with Giuseppe Scorciapino and Francesca Marino, Region of Sicily (Palermo: 27 June 2005)

assessorati, vis-à-vis the twelve of the Sicilian administration. However, everyone remarked that it was not only a matter of size, in terms of number of *assessorati*/departments involved, but also, and mainly, about the number of people involved. In Basilicata forty people were involved in the overall activities related to Structural Funds administration.¹⁰⁸ This is an ideal number, being large enough to manage such a task but small enough to maintain an efficient horizontal co-ordination. The reduced size of the regional organization, along with the limited number of people involved, appears to be a further advantage when it comes to co-ordinating overall activities. When asked if the MA was structured and organized enough to carry out its duties, 70% of respondents in Basilicata affirmed that the MA was fully structured and that the number and quality of staff were both sufficient for them to carry out their duties (questions 7 and 8). The answer to the question on the main obstacle faced by the MA in managing the Structural Funds was again in this case the most interesting. Indeed, in Basilicata everyone felt that the main problem was the understanding of the EU rules (question 9). In order to investigate further how this problem was overcome I asked the opinion of the 26 people interviewed. Again, the answer I was given was very homogenous:

“At the beginning in 1989 the main problem was to understand and familiarize oneself with the new EU rules and procedure. This process, although difficult, was possible thanks to two main factors: (1) the cooperation between the political and administrative class; and (2) the background of the regional administration, which since 1980 has always worked together in a form of horizontal coordination and the sharing of information which made the process of understanding the novelty of the EU rules easier”(Recorded interview).

Ranking¹⁰⁹ the primary and secondary source material and the evidence that emerged from the fieldwork on the basis of the definition given to the management indicators, it

¹⁰⁸ In Sicily, approximately 50 people were involved in Structural Funds activities.

¹⁰⁹ As discussed in chapter 2, each indicator is rated on a scale from 0 to 3, as follows: 0= absent; 1= starting; 2= developing; 3= consolidated. Consequently, all components are averaged together to provide a summary score for the administrative area. The score bands for each area are as follows:

Score	0 – 0.5	0.6 – 1.5	1.6 – 2.5	2.6 -3
Stage	Absent	Starting	Developing	Consolidated

seems that the management was at a starting level in Sicily and at a level of high development in Basilicata (Table 5.5).

Table 5.5 Ranking of management in Sicily and in Basilicata over the period 1989-2004

First key determinants of administrative capacity	Indicators	POP 1989-1993	POP 1994-1999	POR 2000-2006	Overall score
Management in Sicily	a) Clarity in the definition of roles	0	0	1	0.3
	b) Co-ordination and co-operation among <i>assessorati</i>	0	1	2	1
	Overall score	0	0.5	1.5	0.65
Management in Basilicata	a) Clarity in the definition of roles	1	2	3	2
	b) Co-ordination and co-operation among <i>assessorati</i>	1	2	3	2
	Overall score	1	2	3	2

The next section will assess the second key component, namely programming. We can already anticipate that, since these activities are part of a loop, a weak management will definitely influence the level of programming performance.

5.3 Programming Performance

Programming is the second key determinant that needs to be addressed. Ideally, once the MA has been set up and roles have been clarified among personnel and various departments, the next step is to design and approve a development plan.

The long-term nature of Structural Funds interventions makes this factor a very valuable means of ensuring legal and financial certainty for planners, policy implementers, project promoters and managers over a prolonged period of time. The advantage of using programming as an implementation mechanism is largely that

“programmes are logical structures, they work from analysis to objectives, priorities and interventions and are complemented by indicators. They are multi-sectoral in scope, multiannual in duration and geographically targeted. In this very real sense, it can be said that the Structural Funds aims to promote strategic thinking and strategic planning beneficial for all public policies” (ÖIR, 2003: 124).

In this context a programme is defined as an

“organised set of financial, organisational and human interventions mobilised to achieve an objective or set of objectives in a given period. A programme is delimited in terms of a timescale and budget. Programme objectives are defined beforehand; an effort is then made systematically to strive for coherence among these objectives” (Tavistock Institute, 2003: Glossary).

Based on this definition, as previously discussed, two indicators have been considered in order to assess the degree of programming at the regional level: programme design and programme approval (cf. Section 2.4.1). In terms of programme design, there are two essential elements to address: the correctness of the SWOT analysis, and the consequent development of a coherent strategy. These two steps are closely interrelated, so any imprecision in the SWOT analysis will compromise the success of the strategy. A SWOT analysis is a basic, straightforward model that provides direction and serves as the basis for the development of investment priorities. It accomplishes this by assessing socio-economic strengths and weaknesses in addition to opportunities and threats. This assessment provide vital information that will assist the organization in accomplishing its objectives – a strength or an opportunity – or if it indicates an obstacle that must be overcome or minimized to achieve the desired results – i.e. a weakness or threat (Ferrell, 1998). Consequently, this shapes the strategy to improve on weaknesses and meet the challenges of threats.

The second factor necessary for successful programming is “timing”. Indeed, the programme to implement Structural Funds, or any long term policy interventions, is spread over a length of time that usually spans between five to seven years, and coincides with the beginning and end of the EU budgetary cycle – i.e. 1989-1993, 1994-1999, 2000-2006. The logic behind multiannual programming is that there is a certain amount of resources allocated that needs to be spent within the set period of time, or else lost. Therefore, any delays in approving the beginning of the programme reduce the time available to spend the resources.

In many Objective 1 regions, timing has been one major issue of concern, not only in terms of approval but also in terms of programme preparation. The preparation of

operational programmes has been seen as a time-consuming exercise, which can be speeded up by an efficient MA (ÖIR, 2003: 82). In the next section, I will investigate the characteristics of both programme designs and programme approval practices in Sicily and in Basilicata.

5.3.1 Programme design and strategy coherence

Sicily

Programme design, in terms of appropriate strategy and coherence with real territorial needs, was not a familiar practice in Sicily: indeed, the drafting of the IMP programme and of the first POP 1989-1993 was the only real programming exercise undertaken by the region during its long history (Regione Sicilia, 1990).

In reality the first two POPs (1989-1993 and 1994-1999) were deficient in many respects. First, they did not contain an exhaustive SWOT analysis of the territory:

“the programme was written sitting around a table – i.e. it was written by a few people in charge who had conducted no territorial analysis and assumed, based on their own personal knowledge, that they knew what interventions were necessary for the region. The same people developed a strategy which was very shallow and in no way successful.”¹¹⁰

The strategy addressed all of the principal regional disparities and approached individual problems (i.e. roads, industrial fabric, tourism, etc.), but without adopting an integrated model of development that considered the region as a whole (Regione Sicilia, 1990). The characteristics of the region were not considered in the initial programming. Over the first two periods of planning, 1989-1993 and 1994-1999, the territory remained a neutral base onto which productive activities had to be placed (Regione Sicilia, 1996). This approach was in large part the result of sectoral programming, based on the separate needs identified by each individual department without any recognition of possibly links with other interventions. This is a consequence of the lack of coordination among the different *assessorati*.

¹¹⁰ Interview with Emanuele Villa, Region of Sicily (Palermo: 29 June 2005)

“The most common situation is that individual initiatives are self-justifying. It is sometimes possible to identify links between different measures and to reassemble pieces of strategies but actions have never been carried out in an integrated fashion. It is common for those in charge of a measure to know absolutely nothing about other measures even within the same sub-project”¹¹¹.

Consequently many development problems were left unsolved and very little was done (CENSIS and Vision and Value, 2001; 2002).

On the other hand, when scrutinizing the 2000-2006 ROP, it emerges that use of the SWOT analysis had improved, and there was an attempt to integrate interventions carried out by different departments (Regione Sicilia, 2000a). This indicates the adoption of a more horizontal cooperative model, to replace the existing vertical, isolated one. Although, this time, in attempting to be more inclusive, the analysis conducted became insufficiently selective, so that the programme developed was far too ambitious, addressed too many issues, and was extremely fragmented (Ernst & Young, 2003a).

The result of this approach to programme design was that the strategy was spread between 77 intervention measures, far too many to manage in an integrated fashion (Regione Sicilia, 2000b). As an interviewee confirmed,

“these characteristics are typical of an organization which is trying to adjust its past programming approach. It is a process that takes time, and it is physiological that now there are too many measures compared to the past. Eventually in the future plan we will find a better balance between interventions”.¹¹²

The main downfall of having too many interventions in a context where coordination of actions is still unsatisfactory is that not only does it create ineffective dispersion in terms of resources, but it also exacerbates the existing problems of coordination among the considerable number of departments involved in programme implementation.

¹¹¹ Interview with Giuseppe Morale, Region of Sicily (Palermo: 4 July 2005)

¹¹² Interview with Giuseppe Scorciapino, Region of Sicily (Palermo: 27 June 2005)

Basilicata

The information on programming activities during the period 1989-1993 was collected mainly through interviews. Various key actors have pointed out two elements that set apart the programming activities in Basilicata. First, the experimental experience of the IMP, which was taken very seriously and used as an opportunity to learn about how to engage in integrated planning (Regione Basilicata, 1996c). This was not the case in Sicily, which continued to rely on the Funds of the Casmez; these were more easily accessible and were not accompanied by restrictive rules on their use. The second element was the efforts that the regional organization made towards closing the gap between the ordinary administration of funding for development and the Structural Funds procedures. Indeed, Basilicata immediately understood that the Structural Funds principles could be more effective than the logic behind the Casmez interventions, and tried to apply these principles in its overall management and programming activities (Regione Basilicata, 1996c; 1997).

An investigation of the two benchmarks for programming activities, reveals a positive situation in Basilicata. Here, the definition of the strategy for the implementation of the funds began with what was considered an accurate SWOT analysis of the region's socio-economic structure (Regione Basilicata, 1989, 1995b, 2000a). The programming document for each period – i.e. POP 1989-1993, POP 1994-1999 and ROP 2000-2006 – was characterized by a strategy of continuity with the previous period. Indeed, the aim was to tackle the obstacles that have impeded the success of some actions in the previous period and to keep improving those actions that had been successful. Furthermore, the interventions appeared to be strongly coordinated (Regione Basilicata, 1989, 1995b, 2000). This was possible because of the existence of the Cabin of Direction and the CTI (cf. Section 5.2.2). These two coordinating bodies made it possible to create an arena for discussion between all the departmental general managers and managers with a view to sharing strategy.

Naturally, the documents show a clear improvement in the use of the SWOT analysis over the course of the three planning periods. However, two common elements were always present: (1) a clear definition of priorities and an operationalization of the

interventions designed to provide solutions to the problems identified; and (2) a broad agreement between departments on the selection of priorities (Regione Basilicata, 1989, 1995b, 2000a).

I have scrutinized the latest ROP (2000-2006), and the elements which emerge in opposition to the contents of the Sicilian development programme are: (i) a clear focus on four main development issues which the region aims to tackle; and (ii) a limited number of measures (45) into which the program that concentrates on achieving those goals was divided (Regione Basilicata, 2000a: 39-41). All the people interviewed agreed that

“ the number of measures is adequate to answer the territorial needs, and the programme is well co-ordinated and this makes it possible to eventually adjust the interventions to any changes in the scenario” (Recorded interview).

5.3.2 Programme approval

Along with poor programme design, another main problem that compromises programming performance is the pace of programme approval – the second selected indicator. Indeed, one of the greatest frustrations in the programming process was related to the approval process governing the plans and their administrative procedures.

In Sicily, there was evidence of considerable delays in the approval of the three programming documents – i.e. POP 1989-1993, POP 1994-1999 and ROP 2000-2006 – which resulted in the late start and further delays in putting implementation structures into place. As far as the first POP (1989/1993)¹¹³ was concerned, the programme that was supposed to start in 1989 was approved with significant delays on 14 December 1990,¹¹⁴ almost two years after the CSF began, and it received an extension until 31

¹¹³ The situation for the IMP appears to have been very similar: the programme was supposed to start in 1986 but was approved after significant delays in May 1988. During the IMP implementation phase the original programme was revised three times, in 1991, 1992, and 1993 respectively (Arthur Andersen, 1995: 7). This was due to a lack of correspondence between the initial strategy and the real needs of the region – i.e. the initial formulation of the programme was not well rooted in the reality of the socio-economic structure of the region.

¹¹⁴ Decision of the European Community Commission N.C (90) 2516/3, 14 December 1990

December 1997 to spend its financial allocation in full. An analysis of the documents from that period seems to show that this delay was physiologically related to the novelty of the programme and partially down to the EC.¹¹⁵ Basilicata's POP was also approved in December 1990.¹¹⁶ The delays in approval justified an extension of the deadline by which the Funds must be spent to 1996. As shown in Table 5.1, the extension actually increased the possibility of expenditure. However, if we look at the end of the period, i.e. the end of 1993, the rate of implementation in Sicily was among the lowest at only at 39% of available Funds, whereas Basilicata had already spent 56% of its total allocation. In comparison to the remaining Objective 1 regions in Italy, Basilicata's performance was the best. The factor that enabled Basilicata to accelerate its rate of expenditure was repeated by most of the interviewees:

“The regional administration has been able to spend the resources and reach an admirable level due to the strong coherence between the programme objectives and the regional needs. Once identified what was *really* needed, it was easy to spend resources to tackle those necessities”(Recorded interview).

The same type of delay that characterized the first cohesion policy cycle was repeated in the second. The 1994-1999 Sicilian OP was approved on 28 September 1995, again almost two years after the beginning of the CSF. The situation appears to have been very different in Basilicata, where the delay was contained to less than a year.¹¹⁷ The reduction of the delay in Basilicata exemplifies the capacity of the region to adapt and improve its own performance, while Sicily remained wedded to its usual procedures and delays. Indeed, this time the reason for the delay in approval was the inadequacy of the POP presented by Sicily to the EC, which asked for changes and improvements to the document before it was able to approve it.¹¹⁸

If we look at the other regions, we can identify a strong correspondence between the time of approval and delays in expenditure. Indeed, Molise, Sardinia and Calabria which had their respective POPs approved by the end of 1994, with less than a year of delays,

¹¹⁵ During the first period (1989-1993) the POPs of the other regions were approved an average of two years later – i.e. at the end of 1990.

¹¹⁶ Decision of the European Community Commission N. C (90) 2989/2, 20 December 1990

¹¹⁷ Decision of the European Community Commission N.C (94) 3765, 16 December 1994

¹¹⁸ Interview with Giuseppe Morale, Region of Sicily (Palermo: 4 July 2005)

had by 2001 spent, respectively, 99%, 84% and 92% of their total allocation. The remaining regions, on the other hand, suffered a delay of two years in the approval of their programmes and this had an impact on the expenditure (cf. Section 5.1, Table 5.2). Finally, the delays in Sicily were much less notable in the third planning period, 2000-2006. The ROP was approved on 8 August 2000,¹¹⁹ but the PC, which specified how the measures would be implemented, had to wait until 21 March 2001 for approval. It took the same length of time for the ROP to be approved for Basilicata¹²⁰, but the PC was approved straight away during the same year (28 November 2000). The quarterly data on Structural Funds expenditure available for the latter period clearly reveal how a delay in approval compromises the rate of expenditure (cf. Section 5.1, Table 5.3). Indeed, Sicily had not spent anything by the end of the first year (31 December 2000) because the PC had not been approved: Basilicata managed to spend 1% of its allocation. A delay in the start-up of the programme created a gap between the regions in terms of expenditure. At the end of 2001, Sicily had spent a meagre 0.74% of its total allocation and Basilicata had already spent almost 5%.

5.3.3 Programming Assessment

The answers to the questionnaire (Table 5.6) support the finding that in Sicily the programme was not based on an accurate SWOT analysis, which, if correctly performed, would allow the region to highlight the weaknesses and threats to its economic development. Indeed, in Sicily 70% of the sample declared that the SWOT analysis was not accurately carried out, whereas in Basilicata 85% confirmed that it was effective (question 4). Furthermore, only 62% of the respondents in Sicily agreed that the allocation of resources among the different priorities was correspondent with the needs of the regional territory. This percentage looks small when compared to the 100% answer given in Basilicata (question 5). Additionally, in Sicily 85% of the sample of people covered affirmed that the number of interventions into which the programme is divided was too high and that this caused the programme to become extremely

¹¹⁹ Decision of the European Community Commission N C (2000) 2348, 8 August 2000

¹²⁰ Decision of the European Community Commission N.C C (2000) 2372, 22 August 2000

fragmented. An opposite situation emerged in Basilicata, where 95% of respondents felt that the number of measures was adequate for the needs of the region (question 6). Finally, 85% of the respondents in Sicily pointed to government instability as the cause of delays in programme approval (question 9).

Table 5.6 Questionnaire on Structural Funds programming

Questions	Sicily Answers (%)	Basilicata Answers (%)
1) Which are the major limits of multi-annual Structural Funds programming in your region?		
a) Lack of flexibility in order to adapt to socio-economic contest changes	15	45
b) Weak strategic coherence with ordinary programming	15	15
c) Delays in approving implementation procedures	70	40
2) Is regional planning integrated and coherent with the national context?		
a) Yes	77	85
b) No	0	0
c) Partially	23	15
3) Is regional planning integrated and coherent with the European Commission Guidelines?		
a) Yes	62	90
b) No	0	0
c) Partially	38	10
4) Is the definition of the programme priorities based on an accurate SWOT analysis?		
a) Yes; a SWOT analysis is performed in order to assess the strength and weakness of the region	15	85
b) Partially; a SWOT analysis is performed but it is not always accurate	70	15
c) No; a SWOT analysis is not carried out	15	0
5) The allocation of the resources among the different priorities is....		
a) consistent with the needs of the regional territory	62	100
b)....determined by political issues which not always take in account the real territorial needs	38	0
c)....not responding to the territorial needs due to a lack of capacity among those in charge of programming	0	0
6) The number of measures in which the programme is divided are...		
a) ...too many and the programme is extremely fragmented	85	0
b) ...few and not sufficient to meet the territorial needs	0	0
c) ...sufficient to answer the territorial needs	15	95
7) Are the measures described as to clearly identify the actors involved and the projects required?		
a) Yes the measures are clearly described in the PC	85	90
b) No, the measures are not clearly described and do not identify the actors and project involved.	15	10
8) The four Structural Funds are...		
a)....planned in a coordinated and synergic fashion with each other	38	100
b)....planned in a independent and uncoordinated way	62	0
9) What is the main causes that account for the delay in the approval of the ROP?		
a) Government instability	85	/
b) Lack of clarity in the procedures	15	/
c) Other (specify)	0	/
c) Political class resistance/interference.	0	/

Questionnaire carried out in June 2005 for part of Sicily and in June 2006 for the Basilicata

Furthermore, the weakness of the programme design was increased by the constant revisions of the programme over the years. As an example, in the last planning period (2000-2006), the programme in Sicily underwent 17 revisions, against only 7 in Basilicata. On one hand these amendment are necessary in order to adapt the programme to inevitable changes in the economic scenario over time, but on the other, the situation in Sicily was extreme and ultimately led to a decline in the coherence of the final programme.

Comparing the findings that emerge from the analysis of the documents and results of the field interviews on the programming indicators, it seems that the programming performance was still very weak in Sicily and was being consolidated in Basilicata (Table 5.7).

Table 5.7 Ranking of programming in Sicily and Basilicata over the period 1989-2004

Second key determinant of administrative capacity	Indicators	POP 1989-1993	POP 1994-1999	POR 2000-2006	Overall score
Programming in Sicily	a) Programme Design	0	0	1	0.3
	b) Programme Approval	0	0	1	0.3
	Overall score	0	0	1	0.3
Programmino in Basilicata	a) Programme design	1	2	3	2
	b) Programme Approval	1	2	3	2
	Overall score	1	2	3	2

So far, I have measured two key components of administrative capacity, management and programming, and they both appear to be lower in Sicily than in Basilicata.

To conclude my assessment of administrative capacity, the next two sections will ascertain the features of the remaining two key components, monitoring and evaluation.

5.4 Creation of a regional monitoring system

Monitoring was introduced during the first programming period (1989-1993). The provisions for monitoring requirements were laid out in Council Regulation 2052/88 article 6:

“Community operations shall be constantly monitored to ensure that the commitments entered into as part of the objectives set out in Articles 130a and 130c of the Treaty are effectively honoured. Such monitoring shall, where necessary, make it possible to adjust operations in line with requirements arising during implementation”.

However, despite the stated objectives of the 1988 regulations, monitoring activities were not carried out systematically in Italy or in other countries with Objective 1 or other areas during the first period of planning. The requirement was revisited during the second programming period (1994-1999) and it only really took off as a strict legal requirement and an integral part of the administration of Structural Funds during the third period (2000-2006). Indeed, monitoring activities were significantly expanded in quality and quantity during the most recent period. Article 34 of Council Regulation 1260/1999 states that

“[t]he Managing Authority, as defined in article 9, shall be responsible for the efficiency and correctness of management and implementation, and in particular for setting up a system to gather reliable financial and statistical information on implementation for the monitoring indicators referred to in art.36”.¹²¹

The basic criteria for the creation of a monitoring system for the period 2000-2006 were set in accordance with the following principles: (i) optimization of the best monitoring experiences adopted during the 1994-1999 programming period; (ii) adoption of the programme indicators system (financial, processing and physical indicators of the state of implementation); (iii) standardization of monitoring models in 2000-2006 CSF programmes (data tables, synthesis indicators, benchmarking, data processing) most

¹²¹ The general characteristics and purpose of the indicators are described by art 36: “the indicators shall show the stage reached in terms of procedural, financial and physical implementation, results, and impacts”.

suitable for the evaluation system and surveillance activity. Undoubtedly, the requirements concerning indicators and monitoring posed serious challenges to all MA.

The creation of a viable monitoring system was supposed to contribute, according to the plans of the Commission, to increasing the professionalism of the PA by encouraging the creation of databases of relevant information on programme implementation, and the creation of mechanisms for incorporating the use of these data into the management process. For this to work it was essential that there was a high level of co-ordination and co-operation between the various actors.

The impact of monitoring on implementation was that, as it required a systematic collection of data on specified indicators and the presentation of periodic evaluations, it provided management with an ongoing update on the progress of the programme and on any bottlenecks. In this respect, it supported the MA in spotting possible problems that might arise during the implementation, so that the MA could intervene during the process and initiate adjustments.

Evidence from other EU Objective 1 regions suggest that, if performed correctly, both monitoring and evaluation will contribute to the improvement of the implementation of Funds (OIR, 2003). Furthermore, both activities are beneficial for any public policy process. Indeed, in Portugal, the daily utilization and constant development of a “tailor-made” monitoring system was one of the key reasons for its success in implementation and the basis for the improvement of the Programmes implementation rate between 2001 and 2002 (ÖIR, 2003:97). At the same time, in Valencia (Spain), major changes based on the introduction of effective ongoing monitoring instruments increased the rate of expenditure (ÖIR, 2003:98). However, it has to be said that not all of the regions came to terms with monitoring and evaluation procedures from the outset. According to Taylor *et al.* (2001), it took time for the requirements of the monitoring procedures to permeate the administrative machinery and to function fully.

In the next paragraphs, I will assess the degree of monitoring evident in my selected case studies, according to the indicators introduced in Chapter 2. The benchmarks for monitoring are: (1) the introduction of a system of indicators and of monitoring procedures responding to nationally agreed standards; and (2) a guarantee of the availability of financial, physical and procedural data to the MA.

5.4.1 Constraints in monitoring procedures in Sicily

An investigation into the features of monitoring in Sicily has revealed that over the period 1989-1993 no monitoring system was in place (Arthur Andersen, 1997:72). The costs in time and money of setting up a monitoring system were perceived as being too large relative to the value that they produced. Furthermore, the administration had to deal with problems encountered in managing the Funds, which absorbed a lot of energy and effort.

Indeed, the regional administration only set up a system of data monitoring in 1995, with the support of the technical assistance service.¹²² However, there is evidence to suggest that in Sicily the monitoring system did not correspond fully to national and European standards over the whole period (Arthur Andersen, 1995; 1997; Ernst & Young, 2003a). Indeed, the system adopted by Sicily failed to satisfy the need for accountability, and in particular the need for the Commission to report on the proper use of public funds. Apart from the lack of inter-departmental coordination in the operationalization of the monitoring system, there was also the complexity associated with the exigencies of different fund-specific monitoring systems, which were time-consuming and costly. Furthermore, the monitoring functions were not integrated into the institutional framework of the public administration systems, which resulted in the proliferation of information that was of little use in developing a full understanding of programme

¹²²The Technical Assistance service was created at the national level to improve the institutional performance of public administration, and to enhance the implementation process of OPs and actions co-financed by Structural Funds. Such a task implied technical assistance in helping regional and local governments to implement their programmes with the support of standard models and guidelines, analysis and surveys, shared indicators and databases, the exchange of best practices, and assistance to those in the network.

implementation. In response to a question about the efficiency of the system during an interview, the manager of the monitoring activities in the 1994-1999 and 2000-2006 periods said,

“During the first two planning periods, 1989-1993 and 1994-1999 the monitoring system was not a “system”: it was a random mass of information”.¹²³

Finally, some improvements were made during the period 2000-2006. Sicily created a web-based system in line with European and national standards. The system was organized in a decentralized fashion. Indeed, each department had a monitoring unit, which was in charge of feeding data into the central system and updating them every two months. The MA was to supervise the merging of departmental information into the central system. This should allow the MA always to have a complete picture of programme results. During the first two years, the system experienced a lot of start-up problems due to the novelty of the web-based method, and still today not all of the departments input their data into the system according to schedule. Nevertheless, the regional administration has made a lot of improvements in monitoring (Ernst & Young, 2003: 32). The manager of the monitoring activities confirmed that

“monitoring of programme implementation is growing both in importance and in functionality, compared to the previous periods where monitoring activities were undervalued”.¹²⁴

Although progress was made in Sicily, there still seemed to be a dichotomy between the gathering of data for monitoring purposes and the management of programmes. Monitoring systems satisfy the accountability needs of the system (in particular the need for the Commission to report on the proper use of public funds). However, they do not feed back sufficiently into the management process. Indeed, as the interviewee declared,

“Monitoring systems were developed to meet the requirements of Structural Funds implementation rather than as the result of a perceived need at the regional level to improve the implementation process”.¹²⁵

¹²³ Interview with Francesca Marino, Region of Sicily (Palermo: 27 June 2005)

¹²⁴ Interview with Francesca Marino, Region of Sicily (Palermo: 27 June 2005)

¹²⁵ Interview with Francesca Marino, Region of Sicily (Palermo: 27 June 2005)

The challenge therefore is to develop these systems in a manner that is seen to be more relevant and useful to the real needs of the managers of the programmes and the projects. The missing connection between the data gathering process and the management process suggests that monitoring activities still need improvement and full integration into the functioning of the administrative system.

5.4.2 The monitoring system in Basilicata: a model of best practice

Basilicata began its monitoring activities on the basis of the initial IMP programme experience and even earlier with the ERDF programmes in 1979 (Regione Basilicata, 1996b). Indeed, as I mentioned in Chapter 1, the Structural Funds existed before the reform of 1988, which brought them together under one regulation. The monitoring activities began in a very basic manner. Indeed, monitoring information was written on a file card, and later copied onto an electronic file. Although the system was unsophisticated, it did meet the need dictated by the regulation, which at the time required just that the “physical data”– i.e. the outputs of the measures – be recorded (Regione Basilicata, 1995a).

The systemic demands increased during the period 1994-1999. Indeed, the Commission asked for a web-based monitoring system capable of capturing not only the physical data but also the financial information on programme outputs. The region, supported by a service of technical assistance, succeeded in implementing its first full monitoring system by the end of 1999 (Ecosfera *et al.*, 2002). The existence of this system was one of the reasons that the region was able to spend its entire Structural Funds allocation:

“Moreover, the achievement of such a successful result has been possible due to the existence of a complete and efficient monitoring system. The system has guaranteed the availability of both financial and physical data that has allowed the regional administration to keep under constant control the evolution of the expenditure and to intervene in correcting potentially critical bottlenecks” (Ecosfera *et al.*, 2002: 144).

On scrutinizing the documents that describe the monitoring system during the period 1994-1999, it appears that it was based on a complete and exhaustive set of indicators

(Ecosfera S.P.A, 1999; 2000; 2001; 2002). Furthermore, this selection was supported by research and the consultation of experts in order to design a monitoring system in line with EU and national guidelines. The explanation for such a high level of performance in the area of monitoring was attributed by the two managers in charge of monitoring activities to the shared idea that monitoring was vital among the administrative personnel and the political leadership:

“The reason behind such commitment to improving the monitoring system is that the regional government fully shared and understood the importance of such a system and its utility in improving public spending overall”¹²⁶.

During the period 2000-2006, the regional administration focused on two aspects. First, it tried to improve the degree of coordination among the different departments in collecting the necessary information to feed into the monitoring system. Second, it carried out further analysis to adjust the new set of indicators to the eventual changes in policy objectives and to keep it coherent with the EU and national guidelines. The result was a series of indicators that appears to be “adequate and exhaustive” (Ernst & Young, 2003b: 54). In conclusion, the independent evaluator of the ROP in Basilicata in the period 2000-2006 affirmed that

“the monitoring model set up in Basilicata represented an example of best practice for the other regions” (Ernst & Young, 2003b: 65).

5.4.3 Monitoring assessment

In this paragraph, I want to report the results of the questionnaire (Table 5.8), the answers to which confirm that the monitoring system was far more efficient in Basilicata than in Sicily.

In Sicily 55% of the people surveyed felt that an adequate system of monitoring indicators has been introduced, but with significant delays, and that it was still in its introductory phase. Conversely, in Basilicata 100% of respondents agreed that the monitoring system was adequate and that it had been introduced at the beginning of the

¹²⁶ Interview with Luisa Lomio and Franco Giorgio, Region of Basilicata (Potenza: 14 June 2006)

planning period (question 1). 62% of respondents in Sicily said that information was partially updated and that therefore the availability of financial, procedural and physical data was often delayed. Meanwhile, in Basilicata 90% declared that the data were constantly updated (question 2).

Table 5.8 Questionnaire on monitoring of Structural Funds

Questions	Sicily Answers (%)	Basilicata Answers (%)
1) Has an adequate system of monitoring indicators and procedures been introduced in the region, in order to monitor the ROP results?		
a) Yes, it was introduced at the beginning of the planning period	30	100
b) Yes, it has been introduced but with significant delays and it is still in the introductory phase	55	0
c) The system of indicators and procedures is not adequate to monitor the ROP results	15	0
2) Does the monitoring system guarantee availability of financial, physical and procedural data updated?		
a) Yes, the data are constantly updated	31	90
b) The data are partially updated with delays	62	10
c) No, most of the data are not available	8	0
3) The procedures and structures which are in charge of monitoring are.....		
a) Adequate	35	85
b) Adequate but need improvement	65	15
c) Inadequate	0	0
4) Are the staff that carries out the activities of monitoring up to the tasks?		
a) Yes	54	86
b) Partially	46	14
c) No	46	0
5) How are the monitoring activities perceived by the civil servants?		
a) Very useful for supporting the implementation	40	75
b) An extra workload which is time consuming and will add little improvement	60	25
c) A mere bureaucratic requirement to enable access to EU funding	0	0
6) How are the monitoring activities perceived by the political class?		
a) Very useful for supporting the implementation	-	80
b) An extra workload which is time consuming and will add little improvement	-	20
c) A mere bureaucratic requirement to enable access to EU funding	90	0

Questionnaire carried out in June 2005 for Sicily and in June 2006 for Basilicata

As far as the procedures and structures in charge of monitoring were concerned, these were perceived as adequate by 35% of those questioned in Sicily, versus 85% in Basilicata (question 3). Indeed, 65% of respondents in Sicily confirmed, "there still is room for improvement". The same consideration was shared by a minority of

respondents in Basilicata (15%). When asked about the benefits of monitoring system, only 40% in Sicily considered monitoring “very useful for supporting the implementation of resources, *vis-à-vis* a much higher percentage in Basilicata (75%: question 5). In Sicily, 60% of civil servants judged monitoring as an “extra workload, which is time consuming and will add little improvement to programme administration”. This latter opinion was shared by only 25% of respondents in Basilicata. As regards the perception of the political class, 90% of respondents in Sicily answered that the political class perceived monitoring as a mere bureaucratic requirement through which to access EU funding. In Basilicata, on the other hand, 80% answered that the political class perceived monitoring as a very useful instrument for implementation (question 6).¹²⁷

Undoubtedly the results of the questionnaire confirm that in Sicily, unlike in Basilicata, the practice of monitoring, although in place, needs improvement in order to become an important element in enhancing the implementation of the resources. Therefore, through matching the outcome of my analysis with the indicators set to measure monitoring levels, it appears that monitoring activities are at starting point in Sicily and already well developed in Basilicata (Table 5.9)

Table 5.9 Ranking of monitoring in Sicily and Basilicata over the period 1989-2004

Third key determinant of administrative capacity	Indicators	POP 1989-1993	POP 1994-1999	POR 2000-2006	Overall score
Monitoring in Sicily	a) Introduction of a system of indicators and of monitoring procedures responding to national agreed standards.	0	1	2	1
	b) Guaranteeing the availability of financial, physical and procedural data	0	1	1	0.6
	Overall score	0	1	1.5	0.8
Monitoring in Basilicata	a) Introduction of a system of indicators and of monitoring procedures responding to national agreed standards.	1	2	3	2
	b) Guaranteeing the availability of financial, physical and procedural data	1	2	3	2
	Overall score	1	2	3	2

¹²⁷ These answers will be very useful in backing up the second part of my central hypothesis on the relevance of the political class in determining administrative capacity performance.

5.5 Diffusion of the evaluation culture

Tied to the monitoring system is the issue of evaluation activity and culture which relies both on the monitoring of results and on the collection of supplementary information.

“Evaluation is a task that has grown over the three implementation periods. In the period 1989-1993, *ex-ante* and *ex-post* evaluations were required, where the efficiency of interventions was examined at the level of general socio-economic cohesion, and the effects of the measures within the CSF and the OP.¹²⁸ There were no specific requirements placed on the body (internal or external) in charge of the evaluation. In the second period, 1994-1999, a much more detailed definition and distinction of assessment, monitoring and evaluation was achieved. Methodological guidelines for *ex-ante* and *ex-post* evaluations were elaborated. In addition, during the second period, a third type of evaluation, the mid-term evaluation, was introduced, which served as an instrument for the modification of the programme at the halfway mark. In the third period, 2000-2006, the required level and depth of analysis for all three types has increased significantly” (OIR, 2003: 22).

At present, the *ex-ante* evaluation is carried out by the regional administration, whereas the intermediate and *ex-post* evaluations are usually contracted out to private independent companies. Thus, there is a large reliance on the outside professional community for evaluation skills and competencies. Besides, an external assessor is in a better position to ensure an objective analysis of performance. Also, it was expected that the need to interact with independent evaluators would encourage the public administration to rationalize and render more efficient its activities.

The impact of evaluation on implementation is two-fold:

“First, the systematic identification of the best alternatives, as well as the careful consideration of the ability of ongoing or past programmes to reach their objectives in an efficient way. This can become a powerful tool for modernisation in the public sector for cost reduction and for greater responsiveness to citizens. Second, the opening up of the administrative “black box” to the scrutiny of external stakeholders, as well as taking the interests of stakeholders and citizens into account when designing evaluation questions, is in itself an embodiment of the principles of democratic governance” (Tavistock Institute, 2003:85).

¹²⁸ During this period, evaluation was still not strongly emphasized by EU regulations. Indeed, the same article that stated the need for monitoring called for the establishment of “assessment procedures” for this purpose: “In order to gauge their effectiveness, Community structural operations shall be the subject of an *ex-ante* and an *ex-post* assessment designed to highlight their impact with respect to the objectives set out in Article 1 and to analyse their effects on specific structural problems” (Reg. 2052/88 art.6).

Evaluation has become a standard tool and is widely used as an instrument to support the implementation process and mostly acknowledged as an instrument to enhance transparency. Processes and outputs of the evaluation system are usually documented and used as a basis for future planning and management (ÖIR, 2003:101).

Moreover, both monitoring and evaluation aim to ensure, on an ongoing basis, proper management of resources in accordance with standards of accountability.¹²⁹ In this section I am concerned with measuring the practice of evaluation, whereas in Chapter 6 I will return to the issue of accountability.

In the next paragraphs, I will assess the degree of evaluation used in my selected case studies, according to the indicators introduced in Chapter 2. Indeed, the benchmarks for evaluation are: (1) Production of the evaluation reports according to EU standards; (2) Integration of the evaluation method and culture in the implementation system.

5.5.1 “Inspection” rather than “evaluation” in Sicily

Similarly to those of the monitoring function, the evaluation activities were very poor in the first planning period. In Sicily, the 1989-1993 POP was not supported by an *ex-ante* evaluation and the *ex-post* evaluation was carried out four years after the end of the programme, in 1997 (Arthur Andersen, 1997:82). The administration was not prepared to manage this function, and often felt that the evaluation represented more of an external control or obligation than a support for improving the nature of the implementation. In addition, the Monitoring Committees¹³⁰ very rarely dedicated sufficient space to debating the results of the evaluation or created a task force to

¹²⁹ Together they create the defining characteristic of the implementation method in that they lie at the heart of an accountability loop involving all key players in the EU decision-making process and which requires the EC to account for the expenditure of public money to Parliament and to the European Court of Auditors. From the point of view of the implementation method it has implications for all of the actors and involves the collection of data as a basis for arriving at an assessment of compliance with all of the rules, procedures and technical support measures provided for in the Regulations.

¹³⁰ Regulation 1260/99, art.35 provides for the setting up of a Monitoring Committee which supervises the implementation of Structural Funds. A representative of the Commission should participate in the work of the Monitoring Committee in an advisory capacity. The committee should discuss the implementation of the Funds every six months. Members of the Committee are the general managers of each department, representatives of the political class, socio-economic partners, non-governmental organizations, and representatives of the national government.

accompany the evaluator. This approach derived from the tradition of the administration, which was never receptive to formal controls or to the verification of results and accountability. This attitude was the main constraint on the introduction of evaluation to the decision mechanisms. In addition, the regional administration experienced difficulties in expressing an “evaluation demand” and often misinterpreted the role and function of the independent evaluator, who was seen as “an inspector” rather than a supportive figure.

The situation seemed to improve in the second period (1994-1999), when both an *ex-ante* and an *ex-post* evaluation was carried out (CENSIS *et al.* 2001; 2002), but, as the interviews revealed:

“there was no real interest in evaluation activities; neither were they considered of any importance in the implementation of the funds; the only reason to perform them was to conform to EU standards”(Recorded interview).

Furthermore, the *ex-ante* evaluation did not fulfil its role of providing the basis for the development plan. Indeed, it lacked the ability to assess the consistency of the strategy with the specific features of the region (CENSIS *et al.*, 2001).

Again, it was only in the most recent planning period (2000-2006) that the evaluation culture spread throughout the administration. Indeed, until then the evaluation process was considered merely as an extra workload whose beneficial effect was not understood. As one interviewee said:

“Recently the perception of evaluation has improved, but there is still a long way to go before it will become an integrated instrument not only in improving Structural Funds, but public policy implementation in general”.¹³¹

On scrutinizing the region’s *ex-ante* evaluation report for 2000-2006, it appears to be more thorough and to show progress in the ability of the region to understand the importance of such a task (Regione Sicilia, 2000d). As regards the intermediate evaluation, this was commissioned to Ernst & Young in due course (Ernst & Young, 2003a). An interview with the independent evaluator revealed that:

¹³¹ Interview with Emanuele Villa, Region of Sicily (Palermo: 29 June 2005)

“The regional administration has definitely understood the utility of the evaluation activities, compared to the last planning periods; the results of the intermediate evaluation are actually taken into account by the administration. Furthermore, every member of staff has collaborated in providing information and material essential for the evaluation to be performed”.¹³²

5.5.2 Evaluation culture in Basilicata: developing internal expertise

In Basilicata, the Monitoring Committee itself carried out the evaluation activities during the first planning period (1989-1993). This responded to a practical need to spread the evaluation culture throughout the departments and to make everyone understand the importance of such an instrument. Indeed, the Monitoring Committee due to its inclusive nature, seemed appropriate to share this new activity within the regional organization rather than assigning it to an external firm. The logic behind this choice was that the regional organization needed to develop its skills from the inside rather than relying on external consultants.¹³³ This would have helped to spread the evaluation culture and awareness of its importance within the organization. The Monitoring Committee produced both an *ex-ante* (Regione Basilicata, 1989) and an *ex-post* evaluation report (Regione Basilicata, 1995a).

In the period 1994-1999 the *ex-ante* evaluation of the programme was carried out by the Programming Department. The intermediate and *ex-post* evaluations were contracted out to a consultancy group consisting of Ecosfera S.P.A., Reconta Ernst and Young S.P.A., and Ernst and Young Corporate Finance S.r.l. The appointment of the external evaluator was delayed until the end of 1998. A similar delay was experienced in the other Regions, but in the case of Basilicata it was not down to a lack of recognition of the advantages of evaluation activities (Ecosfera S.P.A. *et al.*, 1999: 73). Indeed, both the administrative and the political class were convinced of the importance of evaluation as an instrument for improving implementation performance. Therefore, the delay was caused by the need of the regional administration to develop an

¹³² Interview with Francesco Sbattella, independent evaluator for the period 2000-2006 (Rome: 17 April 2005)

¹³³ Interview with Andrea Freschi, Region of Basilicata (Potenza: 7 June 2006)

“understanding of what to ask an evaluator and how to use the evaluation to improve the expenditure of Funds – i.e. the administration needed to become familiar with the evaluation mechanism before appointing an external actor” (Ecosfera S.P.A. *et al.*, 1999:73).

In 2000-2006 the *ex-ante* evaluation was again carried out by the Programming Department. A thorough analysis of the *ex-ante* evaluation reveals a great knowledge of regional territorial needs, a clear set of goals to be achieved and a coherent strategy of how to improve regional conditions (Regione Basilicata, 1999). When asked about the relevance of the *ex-ante* evaluation in the implementation process, those interviewed declared that:

“The *ex-ante* evaluation activities have gained in value over time as a result of providing a very useful tool in understanding what to do and how to do it, plus it gives one a direction to follow and a clear goal to reach” (Recorded interview).

In contrast with the delays registered in the previous period, this time the independent evaluator, Ernst & Young, was appointed in time,¹³⁴ within the deadline set by the EU.

One of the members of the evaluation group affirmed that:

“The region of Basilicata is already familiar with the practice of evaluation. Here the evaluation culture has spread within the region, both in administrative and political spheres, which pay great attention to the results emerging from the assessment”.¹³⁵ The leader of the evaluation group supported this statement by adding that: “the regional administration considers both monitoring and evaluation two significant activities to improve resources implementation”.¹³⁶

5.5.3 Evaluation assessment

In this paragraph, I will present the results of the questionnaire (Table 5.10), which confirm that: (1) evaluation activities, in terms of respecting the production of evaluation

¹³⁴ The independent evaluator was selected from among various contenders on 28 December 2001

¹³⁵ Interview with Antonella Scotese, Ernst and Young (Rome: 17 April 2005)

¹³⁶ Interview with Francesco Sbattella, Ernst and Young (Rome: 17 April 2005)

reports, appeared to be more efficient in Basilicata than in Sicily; and (2) that the evaluation culture spread faster in Basilicata than it did in Sicily.

Table 5.10 Questionnaire on evaluation of Structural Funds

Questions	Sicily Answers (%)	Basilicata Answers (%)
1) How is the evaluation perceived by the civil servants?		
a) Very useful for supporting the implementation	40	100
b) An extra workload which is time consuming and will add little improvement	60	0
c) A mere bureaucratic requirement to enable access to EU funding	0	0
2) How is the evaluation perceived by the political class?		
a) Very useful for supporting the implementation	-	80
b) An extra workload which is time consuming and will add little improvement	-	20
c) A mere bureaucratic requirement to enable access to EU funding	-	0
3) Is the culture of evaluation spreading within the regional government?		
a) Yes	31	80
b) Slowly and partially	69	20
c) No	0	0
4) Have the recommendation of the intermediate evaluation been implemented?		
a) Yes	38	73
b) Partially	62	27
c) No	0	0

Questionnaire carried out in June 2005 for Sicily and in June 2006 for Basilicata

In Sicily 60% of the sample covered considered that evaluation constituted an “extra workload” which is just time consuming and will add few improvements to the implementation of the resources, while in Basilicata, along with monitoring, evaluation was considered to be “very useful” by all of those interviewed (question 1). Again, as far as the political class was concerned in Sicily there seemed to be not much interest in evaluation activities, whereas in Basilicata 80% answered that the political class considered them to be “very useful for supporting the implementation process” (question 2). In Basilicata 80% agreed that the culture of evaluation was spreading across the overall regional administration. This percentage was only 31% in Sicily, where the majority (69%) believed that the evaluation culture was spreading slowly and only partially (question 3). The attention paid to the contribution of evaluation within each of the two regions can also be understood by looking at how each region reacted to the suggestions and recommendations that emerged from the intermediate evaluation.

Indeed, in Sicily, 62% affirmed that those recommendations had been partially implemented, whereas in Basilicata 73% said that the recommendations had been fully implemented (question 4). Undoubtedly the results of the questionnaire confirm that in Sicily, unlike in Basilicata, the practice of evaluation still needs to be improved, and to become instrumental in enhancing the implementation of the resources. Table 5.11 summarizes the outcome of the analysis using the indicators adopted to measure evaluation.

Table 5.11 Ranking of evaluation in Sicily and Basilicata over the period 1989-2004

Fourth key determinants of administrative capacity	Indicators	POP 1989-1993	POP 1994-1999	POR 2000-2006	Overall score
Evaluation in Sicily	a) Production of evaluation reports	0	1	2	1
	b) Integration of the evaluation method and culture in the implementation system	0	0	1	0.3
	Overall score	0	0.5	1.5	0.65
Evaluation in Basilicata	a) Production of evaluation reports	1	2	3	2
	b) Integration of the evaluation method and culture in the implementation system	1	2	3	2
	Overall score	1	2	3	2

The outcome of the measurement shows that evaluation activities were in the introductory stage in Sicily and at a level of substantial development in Basilicata.

5.6 Conclusions

This first empirical chapter aimed to answer the first question of my central hypothesis question – i.e. what accounts for the observed regional variation in the implementation of Structural Funds? The answers I find in the established literature point to absorption capacity, regional economic factors and/or social capital. However, as shown in Chapter 1, testing the above variables shows that they do not fully explain the variation observed in the selected case studies. Therefore, I suggested an alternative hypothesis redefining administrative capacity as an independent variable that better explains the ability of the

regions to implement Structural Funds – i.e. where there is a higher degree of administrative capacity there is a higher degree of resources expenditure.

In order to test my hypothesis I have measured in this chapter the degree of administrative capacity evident in each case study. In carrying out this assessment, I have analysed the four key components of administrative capacity, namely: management, programming, monitoring, and evaluation. The analysis of each area of administrative capacity covered the three planning periods – 1989-1993, 1994-1999 and 2000-2006 – and was supported by primary and secondary sources. The findings that emerged from the analysis of documents were corroborated by fieldwork – i.e. interviews and questionnaires – according to the stated methodology.

Table 5.12 summarizes the assessment of each key component based on the established indicators.

Table 5.12 Administrative capacity overall score

Region	Key determinants of administrative capacity	Overall score
Sicily	Management	0.65
	Programming	0.3
	Monitoring	0.8
	Evaluation	0.65
	Overall Score for administrative capacity	0.6
Basilicata	Management	2
	Programming	2
	Monitoring	2
	Evaluation	2
	Overall Score for administrative capacity	2

It clearly emerges that administrative capacity was weak in Sicily but much more developed in Basilicata. The key findings can be summarized under four main headings.

(1) Management

Well-developed management abilities seem to have been absent in Sicily during the first two periods and have started to appear only recently. The weaknesses of management were located in an ineffectual central co-ordination, which was not in a position to control the activities carried out by the various departments involved in the implementation of Structural Funds. This lack of horizontal coordination left each department to act on its own and did not allow an integrated approach to develop. Most

of the time, the lack of effective co-ordination led to the duplication of activities. In this system of uncoordinated activities, the administrative personnel were not always clear about their role and responsibilities, which slowed down the process of implementation. It was only in 2001 that the regional organization created a body for horizontal coordination, the CODIPA, which led to a significant improvement in administrative outputs.

An opposite situation emerged in Basilicata, where progressive improvements in management took place and it reached a high level of performance. Here, a strong and efficient central co-ordinating level organized the actions taken by the various departments involved, giving the personnel a clear vision of their duties and ensuring significant administrative outputs. When the responsibility for the implementation of the resources is distributed across more departments, it is important that a central management structure is set up in order, first of all, to control the overall situation and to intervene where problems emerge, and secondly to create horizontal co-operation between the various departments.

The fieldwork carried out highlighted that the regional organizational structure and size might have contributed to the low capacity of management in Sicily vis-à-vis Basilicata. Indeed, the organization of the Sicilian regional administration was characterized by a strong vertical and compartmentalized administrative hierarchy, which did not favour exchanges between different assessorates and made management an individual concern. As the interviews confirmed, this lack of collaboration has always been part of the administrative culture in Sicily and it is still very persistent. Each department has always had its own decision-making, political and organizational autonomy. Therefore, once an administrative culture is implanted, it is very difficult to dismantle. In Sicily, there was the tendency to keep each department's activities within the boundaries of the department itself and to avoid any sharing of knowledge or information. Furthermore, the regional administration had the disadvantage of being divided into 12 assessorates and 22 departments, which appeared to be a further obstacle to overall coordination of activities. This situation was made worse until recently by the absence of a central coordination structure.

In Basilicata the vertical hierarchy was weaker and this facilitated a horizontal coordination of activities that eased management and programming activities. Moreover, the region had the advantage of being divided into only six assessorates, which corresponded to an equal number of departments – i.e. each assessorate had only one department. It appears that the reduced number of internal departments and the limited number of people involved encouraged a more effective coordination of activities.

(2) Programming

The second component analysed in this chapter was programming, in terms of the ability to design an efficient programme and to begin without delays. Again, in Sicily both of these features appeared to be absent in the first two periods and started to emerge during the 2000-2006 planning period. Indeed, it was only in this planning period that the ROP was based on a clearer SWOT analysis and was linked to empirical regional needs, whereas before it was based on the “thoughts and suggestions of a few people” (Recorded interview). Similarly, it was only recently that there were shorter delays in having the programme approved, compared to the past where it took up to two years for the programme to be agreed upon with the Commission. Naturally, the lack of coherence between the programme and the territorial needs, and the delays in beginning implementation caused severe impediments to the smooth implementation of the policy and to spending the available resources. Again, the situation in Basilicata was completely opposite. Here, the regional administration was always very thorough in analysing the strengths and weaknesses of the regional territory and in formulating policy strategies that could improve the circumstances. This allowed the region to achieve a considerable level of expenditure, overcoming the first period of delays in programme approval.

(3) Monitoring and Evaluation

The last two components of administrative capacity to be analysed were monitoring and evaluation. Although these two components have been ranked separately, they are closely interconnected. Indeed, deficiencies in monitoring activities compromise the possibility of carrying out a complete evaluation. The importance of these two

components in improving the implementation of resources is demonstrated by the fact that, where performed correctly, they allow the regional administration to identify possible future problems and to intervene to correct the problems in due course.

In Sicily, like the other components, monitoring and evaluation have only started to improve recently, whereas in Basilicata they have been important since the beginning of the 1980s. Furthermore, for these activities to work it is essential that there is a high level of co-ordination and co-operation between a number of different actors. This is a further confirmation of the validity of the loop that represents administrative capacity (Figure 5.3). Indeed, in Sicily it seems that there was a dichotomy between the gathering of data for monitoring purposes and the management of programmes and projects. In the latest programming period, 2000-2006, monitoring systems satisfied the accountability needs of the system (in particular the need for the Commission to report on the proper use of public funds). However, they did not feed back sufficiently into the management process.

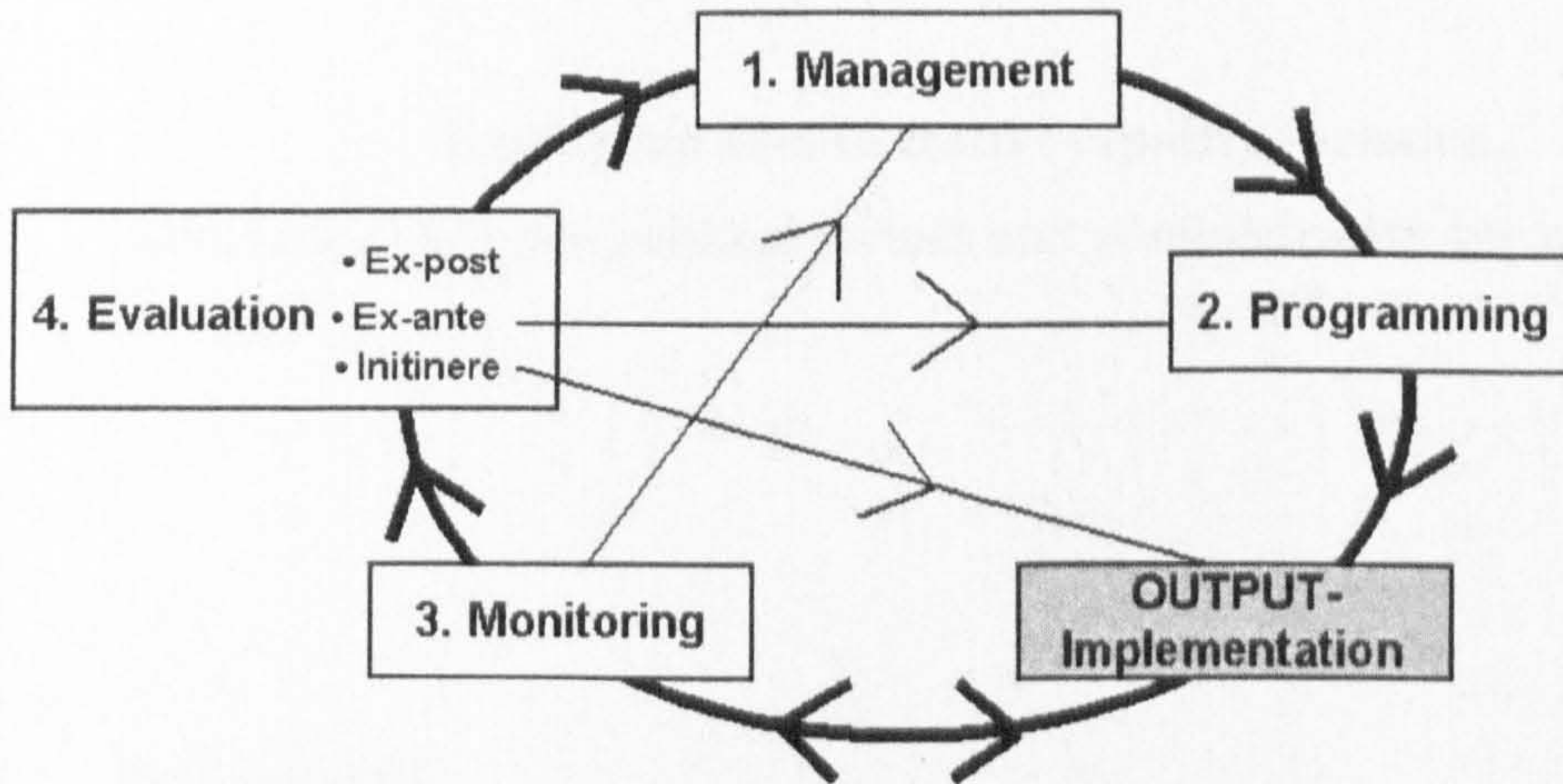
(4) Overall administrative capacity

The above findings confirm the connection between the various components of administrative capacity (Figure 5.3). Therefore, a first observation is that poor management leads necessarily to a poor quality of programming. Indeed, a development programme that covers the whole territory needs to include the contributions of each department, assembled by the central management body. The absence of the latter leads to a lack of co-ordination and effective management in the decision-making and policy implementation system, and the ROP is conceived as a knowledge-based program (Barca, 2001). The “knowledge” needed to design the ROP strategy is often tacit and distributed among various levels of government (Anselmo and Raimondo, 2000). Therefore, it is necessary that a strong process of knowledge-sharing is established to enable the programme to function and reach the stated goals. This is possible if there is strong horizontal cooperation.

Secondly, monitoring data needs to be collected in order to provide a feedback of necessary information to the MA so that problems can be solved. Thirdly, evaluation

reports should be produced in order to support not only the actual planning process, but also the future programming activities.

Figure 5.3 Administrative capacity loop



The results of the scrutiny of regional documents and of the interviews provided the essential data to test the first part of the central hypothesis – i.e. that there is a positive relationship between the degree of administrative capacity present in a regional administrative structure and the ability of that structure to implement Structural Funds and increase its expenditure. Data from the two cases studied, Sicily and Basilicata, confirm this relationship.

At this point, a second question arises: why are the management, programming, monitoring, and evaluation activities not performed as efficiently in Sicily as they are in Basilicata? Or, in other words, why does administrative capacity vary at the regional level? To answer this question, in Chapter 6, I will test the second part of the central hypothesis, which investigates the role of political factors in influencing the features acquired by the key component of administrative capacity

Chapter 6

Explaining administrative capacity variation.

Interaction between political factors and administrative key components

6.1 Introduction

The previous chapter tested the first part of my central hypothesis. It assessed administrative capacity and provided evidence to suggest that the observed variation between regions in the implementation of Structural Funds is positively correlated with the degree of regional administrative capacity. Therefore, it is related to the activities of managing, programming, monitoring and evaluating development programmes.

The aim of this chapter is to continue the analysis by answering the second question, which asks what it is that determines the degree of administrative capacity – i.e. why is administrative capacity higher in Basilicata than in Sicily?

In Chapter 2, I tested the three main competing explanations I found in the established literature. The first identified the degree of education and training as the important intervening variable in determining capacity: data on the educational level of administrators gathered at the individual level show substantial similarities exist between Sicily and Basilicata in this respect. The second explanation looked at the centralization of policy by the government, which impeded the development of capacity at the regional level. In Chapters 3 and 4, I tried to demonstrate that this explanation

cannot be used in the case of southern Italian regions because all were subject to a centralized approach that ended in the same year, 1992. Conversely, this reinforces the hypothesis that the intervening variable accounting for the variation in administrative capacity must be found within the region. The third explanation advocated by the literature focuses on a *mafia* component. An investigation of the respective backgrounds of Sicily and Basilicata reveals that the existence of criminal organizations has been identified in both regions, although there is a more established literature on the Sicilian *mafia*. However, we do not have any systematic measures of the level of corruption or the penetration of the regional administration by organised crime. Therefore, it is difficult to establish any causal relationship between corruption/organised crime and administrative capacity. I suggest that we should find an alternative explanation that can be quantified and measured in both regions.

The second part of my central hypothesis suggests that the features acquired by the four key components of administrative capacity, as exemplified by Sicily and Basilicata, might be influenced by three political factors, namely political interference, government stability and political accountability

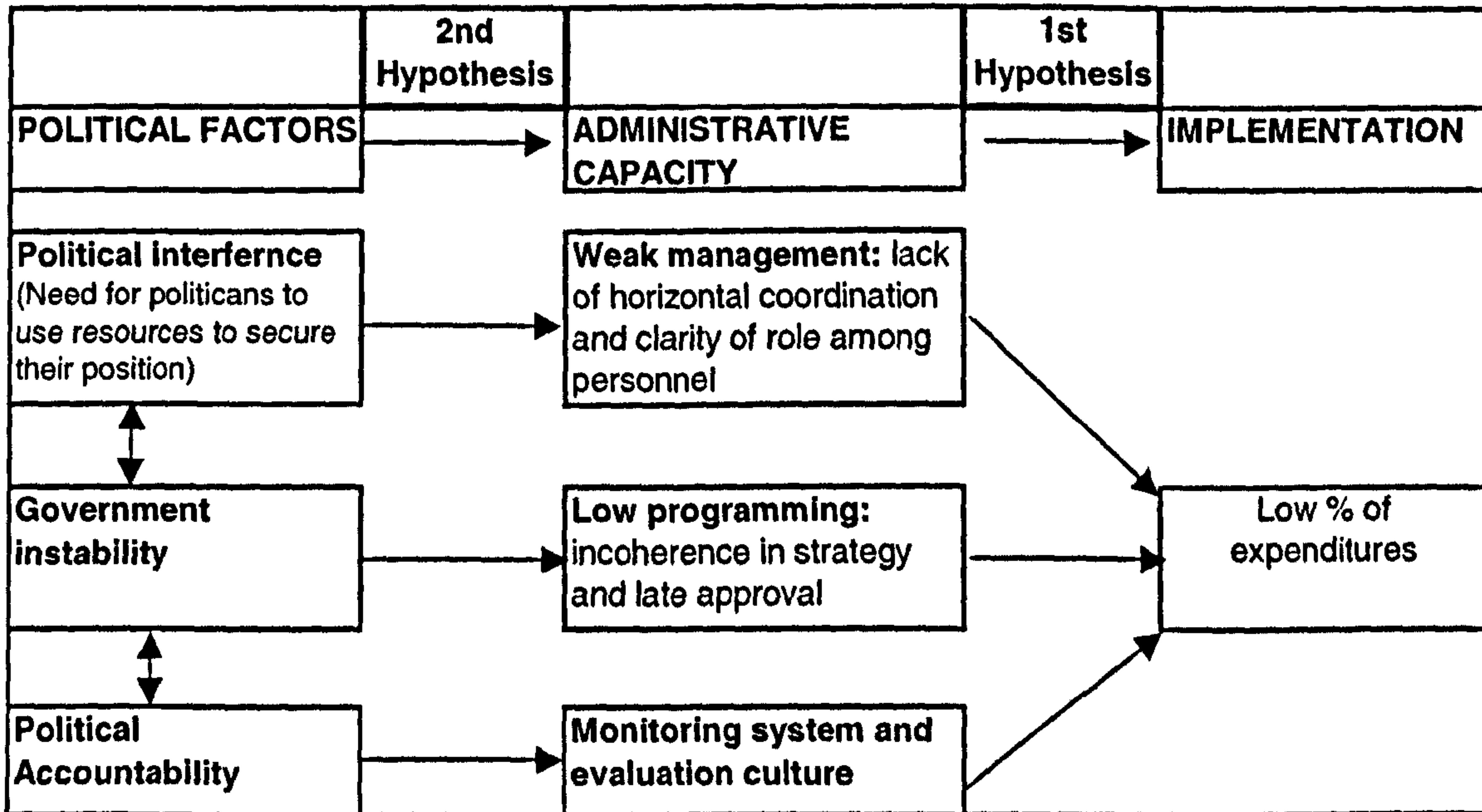
I believe that each political factor not only affects administrative capacity in general, but also affects specific key components (Figure 6.1). Indeed, I want to test the following three corollary relationships, where:

- (1) A weak/strong management performance is influenced by a high/low level of political interference;
- (2) A low/high programming coherence, in terms of strategy continuity and time taken for approval, is attributable to an instable/stable government subject to frequent/infrequent changes in leadership; and
- (3) The existence and functioning of a monitoring system and the spreading of an evaluation culture within the regional government is related to political accountability.

These three relationships will be tested, respectively, in the three sections that constitute this chapter. I can anticipate that although a relationship may be identifiable, the political and administrative factors will not be so neatly correlated. Certainly political

interference acts mainly on the management system but also appears to influence programming performance. Similarly, government instability affects programming coherence and approval, but seems also to have some bearing on management performance. Finally, both political interference and government instability characterize a political class that does not appear to be accountable (Figure 6.1).

Figure 6.1 Interaction between political factors and key administrative components factors.



I expect to find that in Sicily, where the administrative capacity is low, the political factors will have the following features: (1) disruptive political interference, where the political class dominates the administrative sphere and restricts its action; (2) high government instability with constant change of leadership or reshuffles of key positions; (3) a closed attitude towards any form of evaluation or monitoring among the political class. If my hypotheses are correct, an opposite situation should emerge in Basilicata.

6.2 Separation of political and administrative powers

6.2.1 Privatisation of civil service and the "spoils system"

Recognising that a major source of delays and inefficiency was to be found in the working methods and general attitude of the civil service, Italy embarked in 1993 (D.lgs.

29/1993), and more emphatically in 1998 (D.lgs. n.80/1998), on a series of reforms with three aims: (1) to de-politicize the civil service; (2) to separate the political sphere from administrative tasks; and (3) to instil new management practices across the Public Administration system (PA).

As mentioned in Chapter 4, the set of policies, which contained an assortment of measures to reach the three goals, was dubbed by both proponents and critics of the reform as the “privatisation of the civil service”. The D.lgs. n.29/1993 *Razionalizzazione dell’organizzazione delle Amministrazioni pubbliche* (Rationalization of the Organization of the Public Administrations) established new labour contracts that needed to be decided through collective bargaining agreements at the national and local levels instead of being set by Parliament via an annual law.

A new merit-based payment system and performance evaluation system was introduced into the PA, and the first labour contracts under the new provisions became effective in 2000 and early 2001. An audit unit in each ministry, co-ordinated from a central agency in the Prime Minister’s Office, set the definition of objectives and supervised the performance indicators.¹³⁷ The government issued a new code of ethics to be observed by all public administrators at the national and sub-national levels.¹³⁸

The overall aim of the D.lgs. n.29/1993 was to improve the efficiency of the PA in Italy by pushing the civil servants to be more proactive and efficient. The improvement in efficiency was supposed to be achieved by linking the duration of the contract to performance indicators. This was a tremendous innovation in the Italian PA, and changed the perception of the civil service. Indeed, previously a civil service job had been considered a “job for life”, whereas following the changes it was no longer a certainty and pay scales were determined by performance indicators.

As with every new process, the change was not immediate. Indeed it took several years, during which various amendments were made to the original D.lgs n.29/1993, which

¹³⁷ The old system where pay and promotion were based on laws, procedures and paid little regard to quality and results was replaced by performance controls, and in particular financial incentives for managers based on position and performance. In addition, a fixed term of seven years was set for all the managers appointed, which could be terminated by poor performance. Lastly, 5% of the state managers could now be selected from outside the civil service.

¹³⁸ In 1995 the government issued a code of ethics for civil servants (*Codice di comportamento dei pubblici dipendenti*).

reached its final form in 2001 with D.lgs. n.165/2001. Among other innovative changes, the D.lgs. n.29/1993 ratified a clear demarcation of duties and responsibilities between the administrative and the political sphere. Indeed, article 3 establishes that:

“The government exercises the functions of providing political-administrative direction by defining the objectives and programmes to be implemented and by adopting any other action associated with these functions. It verifies the correspondence of the administrative activity with the carrying out of the given objectives”.

It follows that:

“The managers are responsible for the adoption of the administrative actions and provisions, in addition to all contacts with the outside; they are in charge of the financial, administrative and technical management by means of independent powers as far as the expenditure and organisation of human resources are concerned. They are the sole persons responsible for administrative activity, management and the consequential outcomes”.

Furthermore, the D.lgs. n.165/2001 definitively ended the long march of the administrative/managerial class towards the goal of full responsibility in the administration of programmes. Indeed, article 14 states that:

“The political class cannot, in any circumstances, revoke, reform, reserve to themselves, move to a higher level, or otherwise adopt provisions or actions which are the competence of the administrator”.

The above articles eliminated any residual form of interference between politics and management by placing the latter exclusively in the hands of the administration. Nevertheless, the bureaucracy did not always fully use its newly acquired powers, because of the distorted effects of the “spoils system” which was introduced in Italy in 1998 (Cerbo, 2002). The political system (government) had the power to appoint top-level executives (or general managers), a power intended to create a relationship based on trust between the politician and his top bureaucrats, and to ensure that the political class was still in a position to maintain control over decisions (Cerbo, 2002). The introduction of the spoils system was justified by the fact that, given the bureaucracy’s role in managing and implementing policies introduced by the political class, it was necessary to re-establish a strong relationship between the two (Cassese, 2002). In reality, the appointment of top managers was used by the political class mainly

to obtain consent and compliance from the bureaucracy, rather than to put capable people in charge of the administration. Furthermore, the political class used its power vis-à-vis the appointed personnel to interfere and control implementation (Checchi and Garibaldi, 2002). Fortunately this was not a general trend, and some regions, such as Basilicata, were able to exploit the benefit a separation of powers between managers and politicians, and the advantage for the politician of selecting trusted and capable general managers.

In conclusion, the PA reform initiated in 1993 was the beginning of a series of innovations both at the central and regional levels, which aimed at the modernization of the whole system and improvement of the administrative machinery by giving more space for manoeuvre to the managerial class. It had its distorting effects, which, although they limited the real separation of powers, did not halt the progression towards an entirely de-politicized administrative system.

The reform, which first was implemented at the national level, was not immediately adopted in all regions. One reason for the differences in response may be tied to the desire of the political class to retain power and to limit the responsibilities transferred to the administrative class. This view is supported by the opinion expressed by some of the politicians interviewed in Sicily. Indeed, when asked about their views on the separation of powers, one openly declared:

“I do not sympathize with the new legislation which, by giving much more room to the managerial class, not only diminishes political power but also moves towards a form of government based on technocrats rather than on politics. The politician should not work at the same level with the bureaucrat, but he should be the leader and should use the bureaucrat as a tool or collaborator in achieving his ends”.¹³⁹

The logic behind this declaration was shared by most of the politicians interviewed in the region, who unanimously expressed their unease at witnessing such a restriction of power and responsibility. As revealed in the following sections, an opposite situation emerged in Basilicata, where the political class had always worked in full cooperation with the administrative class, even before the introduction of the mentioned D.lgs.

¹³⁹ Interview with Michele Cimino, Region of Sicily (Palermo: 28 June 2005)

6.2.2 Sicily dominated by disruptive political interference

The results of the investigation into management activities in Sicily, presented in Section 5.2, revealed that the introduction of novel financial instruments such as the Structural Funds was not accompanied by any radical change in the regional administration structure. Indeed, what should have been a stimulus for the renewal and modernization of the management and the organizational structure was perceived merely as a burdensome extra workload. Above all, the civil servants and managers of the different departments declared during the interviews that, since the introduction of Structural Funds, they had been subject to even greater interference from the political class.

In Sicily, the dominant party (and its internal factions) was able to use the administration to support its clientelistic style of politics by creating a “political market” based on the exchange of political support for either the procurement of posts within the administration itself, or benefits for clientele and “friends” (Cassese, 1984). Thus, the politicians, in order to increase their influence, would typically either fully infiltrate the administration, down to the lower levels, or bypass it altogether by carrying out directly tasks that should have belonged to the administration (Melis, 1996; Ferrera, 1984). Civil servants were willing to accept politicians’ intrusions into the administrative sphere in exchange for privileges and benefits (D’Amico, 1992).

As mentioned in Section 6.2.1, the process of power separation started in Italy in 1993 with D.lgs n.29. In reality, it was only in 2000, with L.R. n. 10, that a proper separation of powers and responsibilities between the political and administrative spheres was formalized in Sicily, whereas in Basilicata this process was put in motion much earlier, in 1996. Again, this opposite reaction to implementation at the regional level for such an important decree provides an idea of how the political class in Sicily tried to retain ultimate power over the whole regional administration for as long as possible.

However, it must be said that in Sicily before the implementation of L.R. n.10 other attempts were made to organize the two spheres of action, but these attempts still left a lot of room for political intervention. L.R. n.6 was approved¹⁴⁰ in 1997 specifically to regulate the responsibilities of the regional cabinet in the area of Structural Funds

¹⁴⁰ The cabinet implemented the law on 2 July 1997 with resolution n.268.

management. The reason behind the law was to simplify the approval procedure for tendered proposals, in order to speed up the pace of expenditure in the 1994-1999 programme, which in 1997, after 3 years, was at a standstill. The most important innovation concerned the role of the *assessorati* in tender approval¹⁴¹. Until then, the procedure had been greatly politicized, as it came under the combined responsibility of the cabinet and the relevant *assessorato* and was articulated via a four-step process.¹⁴²

L. R. n.6/1997 simplified this process: from then on tender proposals were approved and issued by the relevant *assessorato* based on an earlier examination by the Joint Committee. Further changes in procedure were introduced in order to limit political intervention from the centre of the regional government and to give more room for manoeuvre to the competent *assessorato*. The process of decentralization definitely gave the *assessorato* the ability to take decisions according to the specific need to be addressed. However, we should not forget that the president of the region appointed the *assessore*, who remained a strong political figure connected to the main political leader. In reality, what happened was that each *assessore* pursued his own political agenda and did not coordinate with the other *assessorati*¹⁴³.

To counterbalance the persistent political power, article 16 L.R. n.6/1997 moved the responsibility for the implementation of the measures from the political to the administrative level. The division manager competent in the field of each measure was appointed as responsible for its implementation. Another step forward in this direction was made by L.R.n.10/1999, which gave the division manager responsibility not only for the implementation of the measures, but also for their overall management. Nevertheless, the introduction of this limitation did not seem to be very effective. Indeed, when asked to describe the strength of political powers in Structural Funds management before the implementation of L.R.n.10/2000, 85% of those interviewed

¹⁴¹ This is the first step, which opens up the measure for receiving applications/projects to be financed.

¹⁴² The four steps are: (1) the tender proposals are sent from the *assessorati* to the President of the Region, who forwards them to the Cabinet for the definition of the terms and conditions; (2) The Cabinet examines them and then passes them on to the Regional Assembly; (3) The various commissions which form the Regional assembly, the surveillance committee and the regional cabinet separately examine the proposals and express their opinion; (4) the tender proposals are approved (Regione Sicilia –NRVVIP, 2000:8). Clearly, this process is extremely long and involved in requiring the whole political system to come to an agreement.

¹⁴³ Interviews with Milena Ribaudò, Region of Sicily (Palermo: 28 June 2005)

answered that “it was strong and more influential than the administration” (Table 6.1, question 1).

Even though there was a move toward a more independent and “productive” relationship between bureaucrats and politicians, the basis of their relationship was still an exchange of power and prestige for job and career security. The two parties reached a *modus vivendi* based on a policy of reciprocal self-restraint; it is symptomatic of this that overt conflicts between politicians and higher bureaucrats were very rare (Leopoldo, 2000).

Politicians, as mentioned above, also bought off the consensus of high bureaucrats by granting additional benefits that could double or triple their income, such as the substantial indemnities deriving from being nominated as a member of the board of public bodies, which imply little additional workload and much more power (Morisi, 1993).

Interaction between politicians and bureaucrats after L.R. n.10/2000

In Sicily the real recognition of the administrative responsibilities was tied to L.R. n.10/2000. It is only with this law that there was a clear demarcation of spheres of actions which established that the technical management and implementation of the Funds was up to the administration, whereas the general strategic guidelines for programming were in the hands of the political leaders. Indeed, as displayed in Table 6.1, 50% of questionnaire respondents felt that only recently had the relationship between the MA and political class become “collaborative with respect to each other’s role”, although 30% still believed that there was “major interference by the political level in the MA’s role” (question 2). According to 62% of responses the separation of powers has had a positive impact on Structural Funds management (question 3), and 50% of respondent felt that political interference was now quite limited compared with the past, while 40% declared that there was still political interference in administrative responsibilities (question 5). However, a successful implementation requires a balanced collaboration between the two levels, and not the prevalence of one over the other: both components have distinct roles and capacities that can produce positive results only if they work together (question 4).

Table 6.1 Questionnaire on the separation of responsibilities and powers between the political and administrative class in Sicily

Questions	Answers (%)
1) Before L.R. n.10/2000, which separated the administrative and political spheres of action, the role of political power in Structural Funds management was...	
a)....strong and more influential than that of the administrative power.	85
b)....in equilibrium with that of the administrative power	15
c)....weak compared to that of the administrative power	0
2) How would you define the interaction/relation between the MA and the political class after L.R. n. 10/2000 ?	
a) Collaborative; each is respectful of the other's role	50
b) In conflict with each other	20
c) There is a major interference by the political level in the MA's role	30
3) Has the separation of powers between the political and the administrative sphere had an impact on the Structural Funds management?	
a) Yes, it has had a positive impact	62
b) No, it has had a negative impact	8
c) It has not had any impact	30
4) Which level is more adequate for managing the Structural Funds?	
a) The administrative level	38
b) The political level	8
c) A balanced collaboration between the two levels	54
5) Despite the formalized separation of powers, is there still political interference in Structural Funds management?	
a) Yes, there still is significant political interference	40
b) Political interference is quite limited	50
c) There is no political interference	0

Questionnaire carried out in June 2005

Along with the questionnaire I conducted further investigation into whether the political class interfered in the management of Structural Funds and, if so, what was the impact of such interference. The interviews I covered the opinions of the general managers as well as those of the politicians in two separate focus groups.

In the first group, I brought together the general managers. They agreed on the statement that

“the less interference there is from the political side the smoother and more efficient the management is”.

Usually when the political class intervenes to pursue its own interest, this slows down the management process. Political interference serves to disincentivize the general managers, who, in turn, “abdicate” their powers to the politicians and do not fulfil their own roles. In other words, the whole management system becomes chaotic with no established rules and no direction.

An opposite point of view emerged from the interview with the second group – the political class. The *assessore* of the programming activities made clear his objections to the increased authority that L. R.n.10/2000 gave to the general managers:

“the politician should have the last say in the management activities, and he should be free to intervene if he believes that actions have not been taken correctly. This “storyline” that the politicians intervene only to gain personal benefits is offensive and does not represent the reality. Indeed, political interventions are necessary because we live in a democratic system, and the citizens empower the political class to take decisions and make sure that they are executed. The voters do not authorize the administrative class; therefore it is expected that the politicians have to get involved in the management as well as in the other steps of the implementation process”.

The whole group of politicians shared this opinion.

In sum, it can be said that in Sicily friction still exists between the two levels of management: political and administrative. The relationship has improved over the years and the political class has become less invasive. However, a balance between administrative and political powers and responsibilities has not yet been reached. This ultimately affects the management, which becomes confused and unclear in terms of its role and prerogatives. Furthermore political interference serves to de-legitimize the role of the managers.

6.2.3 A more technocratic type of government in Basilicata

The analysis of the management features in Basilicata reveals that Structural Funds programmes, and the IMPs before, succeeded in introducing into the regional administration new ways to employ the instruments for economic development that have led to significant innovation in the management of ordinary development programmes and in the overall regional administration.

The principles underlying Structural Funds management contributed to the initiation of a cultural innovation process that also involved the sphere of ethical values. Substantial innovations were slowly introduced into the administration. This process was conceived by a number of individuals, who were initially few and isolated. At the beginning, they at times came into conflict with the political sphere but were able progressively to involve and motivate groups of individuals until they achieved a general

acknowledgment of the new model of management. The latter was based on horizontal coordination and the clarity of roles, which is possible to achieve if there is a clear relationship between the administrative and the political class with respect to their responsibilities.

The interviews carried out and the documentation examined (Ecosfera *et al.*, 1999; 2000; 2001; 2002) have revealed that the region of Basilicata, even if with some difficulty at the beginning, has been able to separate the political and the administrative powers. Indeed,

“when compared to the other Objective 1 Regions, Basilicata has been able to benefit from a political class that is respectful of the different roles and the separation between political and administrative competences. Therefore, there has not been interference in the technical aspects of the management, whereas in other regions the constant political interference has created long delays in the implementation of the programme and ultimately in the degree of expenditure levels” (Ecosfera *et al.*, 1999:80).

Basilicata, in order to fully implement the norms of the previously mentioned D.lgs. n. 29/1993, started with R.L. n.12/1996 a process of overall reorganization inspired by the principle of responsibility and the definition of the lines of demarcation between the two roles in management. Indeed, Resolution of the Regional Cabinet n. 11 dated 13 January 1998 differentiated the responsibilities of the political sphere from those of the administrators. This Resolution represented an important step forward in the clarification of role. Furthermore, the additional decision, n.600/2002, set the criteria and parameters for the evaluation of the general performance of administrators.

According to this scenario, the technicians in charge of managing the programmes were given more room to experiment with technical solutions for overcoming daily problems. Free from political interference and judged by evaluation of their performance, the managers of each department were encouraged to act to improve their management outputs. Moreover, the role and power of the political class was confined to that of political direction and not of technical intrusion. This model of governing the regional administration delivered good results not only with regard to the implementation of the Structural Funds, but also with regard to public policy delivery in general.

Interaction between politician and bureaucrats after L.R. n. 12/1996

The picture that emerged in Basilicata was opposite to the one we have observed in Sicily. Indeed, in Basilicata, recognition of the administrative responsibilities and of the technical benefits, in terms of efficiency and effectiveness of the public actions, that could develop from a proactive relationship between the two spheres, was always part of the regional government. Indeed, as displayed in Table 6.2, 60% of respondents felt that even before L.R. n.12/1996, which formally separated the administrative and political spheres of action, the weight of political power in Structural Funds management was in equilibrium with the administrative power (question 1). Following L.R. n.12/1996, there was a further improvement in the collaborative relationship between the two bodies, as declared by 95% of the respondents (question 2). In addition, three-quarters of the sample declared that the separation of powers had a positive impact on Structural Funds management (question 3). Similarly, to the respondents in Sicily, however, they still felt overall that a successful implementation requires a balanced collaboration between the two levels (question 4). Conversely, to the situation in Sicily, this balanced collaboration has always dominated the Basilicata government and can be identified as the determinant variable for the successful management of Structural Funds. Indeed, 60% of the sample answered that there was no political interference, while 40% stated that political interference was very limited (question 5).

Table 6.2 Questionnaire on the separation of responsibilities and powers between the political and administrative class in Basilicata

Questions	Answers (%)
1) Before L.R. n.12/1996 in Basilicata, which separated the administrative and political sphere of action, the role of political power in Structural Funds management was...	
a)....strong and more influential than that of the administrative power.	40
b)....in equilibrium with that of the administrative power	60
c)....weak compared to that of the administrative power	0
2) How would you define the interaction/relation between the MA and the political class after L.R. n.12/1996 in Basilicata?	
a) Collaborative; each is respectful of the other's role	95
b) In conflict with each other	0
c) There is a major interference by the political level in the MA role	5
3) Has the separation of powers between the political and the administrative sphere had any impact on the Structural Funds management?	
a) Yes, it has had a positive impact	75
b) No, it has had a negative impact	0
c) It has not had any impact	25
4) Which level is more adequate for managing the Structural Funds?	
a) The administrative level	25

b) The political level	10
c) A balanced collaboration between the two levels	65
5) Although the formalized separation of powers, is there still political interference in Structural Funds management?	
a) Yes, there still is strong political interference	0
b) Political interference is quite limited	40
c) There is no political interference	60

Questionnaire carried out in June 2006

In order to capture more closely the opinion of the political class I interviewed two assessors, who both agreed that the administrative level was adequate in managing the Structural Funds:

“L.R. n.12/1996 has just formalized a situation that has always existed in Basilicata. Indeed, we believe in the demarcation of roles between the administrative and political sphere. In the precise case of Structural Funds the administrative level is more in a position to manage the Funds. A more technocratic model of governance does not necessarily harm the concept of democracy”(Recorded Interview).

6.3 Government stability (1988-2004)

6.3.1 A history of government instability in Italy

The general literature on government instability mainly treats this factor as economically destructive (Alesina *et al.*, 1996; Fosu, 1992) and a hindrance to growth (Londregan and Poole, 1990; Barro 1991, 1996; Easterly and Levine, 1997). It is hypothesized that government instability destabilizes economic rules on resource allocation, governing effort and expected outputs. Such destabilization is likely to reduce efficiency of the production process and, hence, restrict economic growth (Fosu, 1992). Kuznets, for example, writes:

“Clearly, political stability is necessary if members of the economic society are to plan ahead and be assured of a relatively stable relation between their contribution to economic activity and their rewards” (1966:451).

In Europe, Italy has experienced one of the highest levels of government instability. In the past, the Prime Minister of Italy was appointed through a competitive multi-party electoral system. The majority party (or majority coalition) in Parliament selected the chief executive after a long negotiation process within parties and across the potential

members of the governing coalition. The Prime Minister was elected by, and directly accountable to, the legislature, through the vote of confidence. Despite recent changes¹⁴⁴ (cf. Section 4.2.2), political deadlock and government instability have defined Italian politics over the past fifty years. Between the first election in 1946 and the latest in 2006, full 58 governments have been appointed in Italy (cf. Annex IV). This means that on average, there has been one government per year, and only one has lasted for the full five-year term.¹⁴⁵ Along the same lines as the national government, regional governments have also experienced a high instability. Indeed, as mentioned in Chapter 3, the Regional Assembly (in Sicily) and Regional Councils (in other regions) elected the President until 2001, when the law, L. Cost. n.2, was changed. Now the Regional President is elected by direct universal suffrage along with the Regional Councils (and Regional Assembly in the case of Sicily). This change in election procedure seems to have had a positive effect on government stability.

In fact, before L. Cost. n.2/2001 the President could be removed by a majority vote of no confidence (*mozione di sfiducia*) from the Regional Council (and Regional Assembly in the case of Sicily). If this happened, the Council (or Assembly) would have had to appoint a new President. The motion of no confidence was used frequently until the new law introduced the direct election of the President. Although it would be interesting to investigate the reasons for the instability, my aim is to investigate the effect of government instability on administrative capacity in the region, especially on the programming functions. Besides the impact on economic growth, which is pointed out by the existing literature, are there other consequences of instability? In this section, I want to test the hypothesis that government instability is accountable for poor programming performance, in terms of weak development of programme design and delays in programme approval, ultimately leading to low expenditure of resources. Furthermore, I will try to highlight the destabilizing effect government instability also has on management activities.

¹⁴⁴ Since 1994 the prime minister designate has been more clearly defined during the electoral campaign, and the outcomes of the elections were in a position to clearly identify the person who would be designated as prime minister and the coalition that would rule the country (Nanetti, 2006).

¹⁴⁵ The shortest government lasted 9 days under Andreotti in 1972, and the longest lasted 3 years under Craxi in 1983. The Berlusconi government began in 2001 and ran until the end of the 2006 legislature: it has been the longest serving government in Italian history.

6.3.2 Sicily: 14 governments in 20 years (1986-2006)

Sicily has a long history of government instability, having experienced the highest level of all Italian regions. Indeed, as discussed in Chapter 3, the data collected on regional governments show a high level of instability since the creation of the region in 1947 – i.e. 55 governments in 54 years (cf. Table 3.5). Table 3.6 shows the changes in government during the period of my analysis, 1988-2004, which covers the entire 10th, 11th, 12th and 13th legislatures.

Table 6.3 Legislatures and governments in Sicily 1986-2006

Government	Period	President
X Legislature (31-07-1986 to 10-08-1991)		
41°	from 31-07-1986 to 06-08-1987	R. Nicolosi (DC)
42°	from 06-08-1987 to 12-01-1988	R. Nicolosi (DC)
43°	from 12-01-1988 to 14-12-1989	R. Nicolosi (DC)
44°	from 14-12-1989 to 10-08-1991	R. Nicolosi (DC)
XI Legislature (12-08-1991 to 16-07-1996)		
45°	from 12-08-1991 to 16-07-1992	V. Leanza (DC)
46°	from 16-07-1992 to 26-05-1993	G. Campione (DC)
47°	from 26-05-1993 to 21-12-1993	G. Campione (DC)
48°	from 21-12-1993 to 16-05-1995	F. Martino (PLI ¹⁴⁶)
49°	from 16-05-1995 to 16-07-1996	M. Graziano (DC)
XII Legislature (18-07-1996 to 11-07-2001)		
50°	from 18-07-1996 to 29-01-1998	G. Provenzano (FI ¹⁴⁷)
51°	from 29-01-1998 to 21-11-1998	G. Drago (CCD ¹⁴⁸)
52°	from 21-11-1998 to 09-11-1999	A. Capodicasa (DS ¹⁴⁹)
53°	from 09-11-1999 to 26-07-2000	A. Capodicasa (DS)
54°	from 26-07-2000 to 11-07-2001	Temporary Commissioner
XIII Legislature (11-07-2001 to 27-05-2006)		
55°	from 11/07/2001 to 27-05-2006	S. Cuffaro (UDCC ¹⁵⁰)

Source: Author's elaboration on regional government data, Sicily

¹⁴⁶ The *Partito Liberale Italiano* (PLI, Italian Liberal Party), embraces the neo-liberal thinking and adheres to the centre-right coalition, the House of Freedoms (*Casa delle Libertà*). For further details on the different parties presented in the table (PLI, FI, CCD, DS, UDCC), see Nanetti (2007:279-312).

¹⁴⁷ *Forza Italia* (FI) is a political party founded on 18 January 1994. It is the movement that aggregates the centre-right coalition, under the named House of Freedoms.

¹⁴⁸ The *Centro Cristiano Democratico* (CCD, Democratic Christian Centre) was founded on 8 January 1994 by moderate representatives of the Christian Democracy (*Democrazia Cristiana*) who refused to join the new Italian People's Party (*Partito Popolare Italiano*, PPI). The Party ended on 6 December 2002.

¹⁴⁹ The *Democratici di Sinistra* (DS) was born in 1998 out of the fusion of some forces of the Italian Left. It became a force of the Italian moderate and democratic left.

¹⁵⁰ The *Unione dei Democratici Cristiani e Democratici di Centro* (Christian Democrats Union and Centre Democrats: UDCC,) is an Italian political party belonging to the Centre. The party mainly recalls the old DC's moderate-liberal tradition and conforms the coalition of the Italian centre-right, House of Freedoms.

Indeed, over these 20 years, there was an average of one-and-a-half governments per year, rather than having governments lasting for the five-year term. As shown in the table, with the beginning of the 13th legislation, which corresponded with the new L.Cost. n. 2/2001, governments became more stable.

I will argue that this constant level of instability partly accounted for the lack of coherence in the development policies put into place by each government. This hypothesis is supported by other authors, such as Piattoni and Smyrl (2002), who studied two northern regions, Tuscany and Liguria, along with two southern regions, Puglia and Abruzzo. The results showed that there were regions able to use the funds efficiently, when others failed. Piattoni and Smyrl argue that

“the explanation for this differential policy efficiency lies in the different capacity of the regional political class to allocate the cost and benefits of economic development, in turn explained by its stability and commitment” (ibid.: 136).

Looking outside the borders of Italy, Francis (2002) analysed the effect of government instability in African countries. He found that frequent changes in governments and leaders created discontinuity in developmental programmes and policies.

In Chapter 5, I measured programming capacity with regard to two indicators: programme design and rate of programme approval. I have found that both indicators were weak in Sicily where the ROP lacked a coherent development strategy and suffered long delays in being approved. The analysis of documents, the evidence drawn from the questionnaires and interviews, and my own personal observations combine to suggest that the significant instability of the Sicilian government was primarily responsible for: (i) the absence of a coherent policy strategy for the creation of endogenous development and the investment of resources in long-term projects; and (ii) accumulating long delays in the approval of programmes due to the incoherence and constant revisions of the programmes. Indeed, the Programming Complement was revised and amended 17 times

in the last four years for which full data are available (2000-2004) in Sicily,¹⁵¹ compared with only seven times in Basilicata¹⁵².

When they were asked about the effect of government instability on Structural Funds, the interviewees gave a very clear answer: 100% agreed that the effects are generally negative (Table 6.4, question 1). A more detailed question asked “what is the influence of government instability?” to which 54% answered that government instability influences “the continuity of the programme”, and 46% believed that it influences “the strategic coherence of the programme” (question 2). As far as programme approval is concerned, the majority (90%) believed that the delays were due more to government instability than to any administrative deadlock (question 3). Lastly, most agreed on the fact that, since 2001 the government had been more stable and that remarkable improvements in the coherence and continuity of the programming activities had been made (question 4).

Table 6.4 Questionnaire on government stability in Sicily

Questions	Answers (%)
1) Government instability produces an effect on Structural Funds programming that is:	
a) Negative	100
b) Positive	0
c) Indifferent	0
2) Government instability influences....	
a)....the strategic coherence of the programme	46
b)the budget available to be allocated to the programme	0
c) ...the continuity of the programme	54
3) What has been responsible for delay in programme approval?	
a) Government instability	90
b) Administrative deadlock	10
4) Do you think that since the government has been more stable (2001) the programming has improved?	
a) Yes, it is more coherent and constant	77
b) No, because the programming is not related to political events	23

Questionnaires carried out in June 2005

¹⁵¹ For the details of each revision see: <http://www.euroinfosicilia.it/>

¹⁵² For the details of each revision see: <http://www.regione.basilicata.it/sportelloeuropa/>

Further interviews carried out with civil servants revealed that after 2001 there was a change in the approach of the political class towards programming economic interventions and resources expenditure oriented towards the long-term rather than a short-term horizon of one year, as had been the case previously. Many speculated that the ability to engage in long-term planning was linked to the fact that the political class knew that the direct election of the regional president guaranteed a more stable government, and that they would therefore be held accountable for the results of the development programmes after five years. Previously, the high government instability had allowed each government to act irrespectively of any long-term plan because it “knew” that it would not have longer than a year in office. Indeed, according to the interview results,

“each political class in the past used its year in power to pursue its personal interest, to strengthen the dependency of the region on outside resources, and invest in short-term projects that could have immediate impacts”.¹⁵³

Additionally, there is, I believe, a strong relationship between government instability and political interference. Indeed, if a politician knows that he has only a short period to “exploit” his power, then it is very likely that he will use his time in power to gain maximum personal rewards. The only way for him to do this is by interfering in the administrative activities and imposing his own will on the administration. The features discovered so far in Sicily, where both political interference and instability are present, confirm this hypothesis. A further confirmation comes from Basilicata, where I have not discovered strong political interference in administrative matters (cf.sec.6.1.3), and where, as shown in the next section, there has been no political instability.

6.3.3 Basilicata: a government *per legislature*

The situation in Basilicata was very different from that of Sicily: each government lasted for the whole five-year period of the legislature. This was the case not only between 1970 and 1985, as shown in Chapter 3, but also during the period of my analysis (Table 6.5).

¹⁵³ Interview with Giuseppe Scorciapino, Region of Sicily (Palermo: 27 June 2005)

Table 6.5 Legislatures and governments in Basilicata 1985-2006

Government	Period	President
IV Legislature (20-06-1985 to 10-07-1990)		
5°	from 20-06-1985 to 10-07-1990	G. Michetti (DC)
V Legislature (11-07-1990 to 15-06-1995)		
6°	From 11-07-1990 to 15-06-1995	A. Boccia (DC))
VI Legislature (16-06-1995 to 16-04-2000)		
7°	From 16-06-1995 to 16-04-2000	R. Di Nardo (PPI)
VII Legislature (17-04-2000 to 17-04-2005)		
8°	From 17-04-2000 to 17-04-2005	F. Bubbico (DS)

Source: Author's elaboration of regional government data, Basilicata

This stability guaranteed that the programme was approved on time and that the strategy planned at the beginning of the legislature remained coherent for the entire period. The promise made by each political leader to keep the government stable was not only a “sentence” in their opening speech but, as past events show, a real commitment. Based on the stability of the government, the political class developed a system of governance for the Structural Funds based on the coherence between the development plan, territorial needs and the concrete implementation of the strategy, which has been continually reinforced over the years.

Further endorsement of the importance of government stability in the successful implementation of the Structural Funds can be drawn from the answers to the questionnaire as shown in Table 6.6. The same questionnaire as was carried out in Sicily was circulated among bureaucrats and politicians in Basilicata. The answers to the question about the effects of political instability on structural fund programming reveal that in Basilicata, 100% believed that high instability produced negative effects on the programming actions (question 1). Furthermore, half of those interviewed considered government stability to be a determining factor for the coherence of the programme; the other half considered it was so for the continuity of the programme (question 2). Finally, none answered the last two questions regarding approval delays and change in governments because the problem had never arisen in Basilicata.

Table 6.6 Questionnaire on government stability in Basilicata

Questions	Answers (%)
1) Government instability produces an effect on Structural Funds programming that is:	
a) Negative	100
b) Positive	0
c) Indifferent	0
2) Government instability influences....	
a).....the strategic coherence of the programme	50
b).....the budget available to be allocated to the programme	0
c).....the continuity of the programme	50
3) What has been responsible for delay in programme approval?	
a) Government instability	/
b) Administrative deadlock	/
4) Do you think that since the government is more stable (2000) the programming has improved?	
a) Yes, it is more coherent and constant	/
b) No, because the programming is not related to political events	/

Questionnaire carried out in June 2006

A further important element that emerged during my research is that in Basilicata during the changes of government the politicians tried to maintain as much continuity as possible in the roles covered by the administrative staff. Therefore, even if there was a reshuffle of general managers, or a new manager was appointed, there was always an attempt to keep key people in their positions to ensure programme coherence and continuity.

6.4 Political Accountability

6.4.1 The cause and the impact of low political accountability

Philip Schmitter described political accountability in the following terms:

“Generically speaking, political accountability is a relationship between two sets of persons or (more often) organizations in which the former agree to keep the latter informed, to offer them explanations for decisions made, and to submit to any predetermined sanctions that they may impose. The latter, meanwhile, are subject to the command of the former, must provide required information, explain obedience or disobedience to the commands thereof, and accept the consequences for things done or left undone. Accountability, in short, implies an exchange of responsibilities and potential sanctions

between rulers and citizens, made all the more complicated by the fact that a varied and competitive set of representatives typically interposes between the two. Needless to say, there are many caveats, loose linkages, and role reversals in this relationship, so that its product is almost always contested. Information can be selective and skewed; explanations can be deflected to other actors; sanctions are rarely applied and can be simply ignored” (Schmitter, 2004:47).

Moreover, in terms of political accountability, each citizen has the same rights and obligations, that is, to be informed (with limited exceptions) about official actions, to hear justifications for them, to judge how well or poorly they are carried out, and to act accordingly – electorally or otherwise.

It has been shown that the growth and welfare of citizens is enhanced by governments that function well; that is, governments that abide by the rule of law, and whose administrative machinery delivers goods and services in an efficient manner (Knack and Keefer, 1995; Mauro, 1995; Easterly and Levine, 1997). Although the number of democratic regimes and thus the use of proper constitutional mechanisms to ensure the accountability of politicians has expanded substantially in recent decades, malfunctioning governments remain widespread phenomena globally (Adsera *et al.*, 2003:445).

An extensive literature on the sources of political accountability describes the machinery of government as a game between a principal – the public – and an agent – the politician or policy maker – in which the former delegates to the latter a given set of instruments with which to carry out certain goals. In the game, the interests of the parties may be at odds. Even while partly acting on the interests of their potential electors, policy makers are likely to pursue their own political agenda: they may be interested in enriching themselves while in office. With self-interested politicians and state elites, the delegation of decision-making and policy implementation responsibilities automatically opens up the possibility of significant inefficiencies.

As shown in seminal articles by Barro (1973) and Ferejohn (1986), the solution to the delegation problem described above, where politicians may be tempted to exploit the lack of information that citizens have about policies and their consequences to pursue their own agenda, lies in the public establishing a control mechanism, such as regular elections, to discipline the policy maker. If electors vote retrospectively – that is, if they

look back to the results achieved by the incumbents before casting their vote – elections should make policy makers accountable to the public. The credible threat of losing office in the next period compels policy makers to deliver good services and refrain from “extracting rents”.

If we apply the above argument to the case of the Italian regions, then we can suggest that the regional political class lacked an important element of accountability because, as previously discussed, until 2001 the president of the region was elected by the council and not by the public. In general, this was a further motive for the political leader to disregard accountability to the citizens. To this purpose, the national constitutional reform that introduced the direct election of regional presidents aimed to strengthen the accountability of political leaders towards the electorate.

A second element of the argument of Barro and Ferejohn is the lack of information available to the citizens. Along these lines, information and publicity are at the heart of Structural Funds procedures because the final beneficiaries of their implementation are the citizens. Indeed, one of the main principles of Structural Funds implementation is monitoring and evaluation practices, where the results are provided to the public, the socio-economic actors, the national government, the EU Commission and other third parties involved in programme implementation or simply interested in the policy process. Therefore, a political class that wants to decrease the amount of information available on the activities of the Funds and the utilization of their budgetary resources will be reluctant to submit to any form of monitoring and evaluation procedure: the higher the willingness to mismanage the resources, the lower the inclination towards a functional monitoring and evaluation system.

I would argue that the lack of accountability is strongly related to government instability. This assumption is supported by other studies that have found stable political regimes to have some form of accountability to their constituencies (Adsera *et al.*, 2003; Schmitter, 2004). According to my hypothesis I expect to find that in Sicily, where there is strong government instability and persistent political interference, the degree of accountability will be low. On the other hand, I expect to find the opposite in Basilicata.

It should be mentioned that the study of political accountability and its outcomes is mainly based on my own personal observations and on the results produced by the questionnaires and interviews.¹⁵⁴ In my case study, I concentrate on two features: (1) how the political class is perceived by the civil servants; and (2) whether the political class has obstructed or manipulated the activities of monitoring and evaluation procedures regarding the Structural Funds. My aim is to determine whether the political class is considered accountable and whether there is any link between the latter and the performance of the monitoring and evaluation activities.

6.4.2 Accountability and the quality of monitoring procedures in Sicily

The bulk of the literature on Sicily during the last forty years agrees on the fact that the political class is not accountable (Boissevain, 1966; Giner, 1982; Viesti, 2003; Finocchiaro and Rizzo, 2006). According to some authors, the priority of the regional political class in Sicily is to reinforce itself, and the easiest way seems to be to build strong preferential linkages both with the administrative class and with the local government level (Piattoni, 1997). The latter, in order exchange for guaranteeing the support required, demands increasing resources for the strengthening of clientelistic networks.¹⁵⁵ Therefore, regional political leaders to “buy” consensus from local political leaders use additional funding, and there is no economic development logic behind this allocation of resources (Trigilia, 1992). The distorted mechanism of private bargaining between the regional and the local political class is increased by the local politicians’ desire to preserve their unequal power position *vis-à-vis* the citizens (Chubb, 1982).

¹⁵⁴ Indeed, political accountability has still not been institutionalized as a concept. The literature on accountability agrees that it has to be embedded in a mutually understood and pre-established set of rules (Persson *et al.*, 1997: 1164). Some of these may be formalized in constitutions, legal codes, or sworn oaths, but political accountability is not the same as legal, financial, or ethical accountability. “More broadly, rulers can be investigated and held to account for actions that did not break the law or result in illicit personal enrichment or violate common mores. They may have simply made bad political choices that failed to produce their intended effect or cost vastly more than initially announced” (Schmitter, 2004: 48).

¹⁵⁵ The logic is to allocate resources to the local government in order to further the local clientelistic boundaries, and ultimately to strengthen, at the local level, its own power. The internal antagonism at regional level leads the political class to reinforce the local request, and uses it to assert its power either within the belonging party or in front of other parties.

Eventually, the clientelistic network substitutes the citizens as the relevant point of reference for regional politicians.

My study supports this proposition and adds two further elements, which lead to low accountability: political instability and the electoral system. Regarding the first factor, as examined in Section 6.3.2, Sicily has experienced a high rate of changes in government – i.e. a new government almost every year. Therefore, government officials may make decisions that are not purely development oriented because their policy horizons are limited to their time in office. The shorter the timescale, the more likely it is that they will take actions that do not provide an overall regional gain. The goal, instead, is short-term political gain.

Until 2001, the second factor, the electoral system, provided for the president of the regional government to be elected by the Council and not by the citizens, thereby undermining the basic control system that would guarantee accountability. With the new policy of direct election of the President, it is possible to foresee a growing accountability of the president *vis-à-vis* the voters.

The questionnaire carried out over the summer of 2005 confirmed this hypothesis (Table 6.7). When asked their opinion on the accountability of the political class, 42 % of interviewees answered that they considered the political class to be partially accountable (question 1); 40% said that there was no procedure in place to ensure accountability (question 2), and an impressive 85% of those interviewed declared that the poor accountability of the political class was due to high government instability (question 3).

On the other hand, the point that the political class obstructed the practice of monitoring and evaluation was not fully validated by the results. Indeed, as reported in the questionnaire (Table 6.7), there was not enough evidence to back up such a hypothesis. When asked about a clear connection between the political will and the performance/improvement of the monitoring and evaluation activity, the answers clearly denied a link between these two aspects (question 4). Furthermore, in answer to the question of whether the political class supported or obstructed the monitoring and evaluation of Structural Funds, 85% declared that the political class was indifferent to

and distant from these activities (question 5). In addition to these answers, almost all of those interviewed defined the political class as

“far too interested in their own activities to consider monitoring and evaluation as an instrument of improving management or as manipulative tools”(Recorded interview).

One respondent added: “our political class is far too negligent to understand how powerful these instruments could be!”¹⁵⁶

Table 6.7 Questionnaire on political accountability in Sicily

Questions	Answers (%)
1) In your opinion, is the political class accountable?	
a) Yes	35
b) Partially	42
c) No	23
2) Are there adequate procedures in place to ensure political accountability?	
a) Yes	25
b) Partially	35
c) No	40
3) In your opinion is the degree of political accountability related to the instability of the government?	
a) Yes	85
b) Partially	10
c) No	5
4) In your opinion, is the performance/improvement of monitoring and evaluation activity related to political preferences?	
a) Yes	15
b) Partially	8
c) No	77
5) Is the political class open to the practice of monitoring and evaluation?	
a) Yes	8
b) No	8
c) It is indifferent	85
6) Has the political class propelled or obstructed the advancement of an evaluation culture?	
a) Propelled	8
b) Obstructed	8
c) Neither	85
7) How would you define the perception of the political class of the practice of monitoring and evaluation?	
a)...a useful instrument to improve their activities	15
b)...an obstacle to their activities	8
c). ...neither an obstacle to nor a facilitator of their activities	77

Questionnaire carried out in June 2005

¹⁵⁶ Interview with an anonymous civil servant, Region of Sicily (Palermo: 27 June 2005)

Based on the answers to the interviews and questionnaire as well as my personal observation, I can conclude that a political class that is negligent of the importance of monitoring and evaluation activities can be held responsible for the lack of performance of these two instruments in a regional setting where they are crucial for the good management of the Structural Funds.

6.4.3 Is the political class accountable in Basilicata?

The analysis of the political model in Basilicata presented a significantly different picture than that of Sicily. Two main features have so far characterized the Basilicata regional government: (1) a balanced relationship between the political and the administrative classes; and (2) strong government stability. Consequently, if my model of analysis and hypothesis is correct, I would expect to find that the political class is more accountable in Basilicata than it is in Sicily.

The main sources of information on the accountability of the political class in Basilicata are: (1) the field research carried out by Leonardi, Putnam and Nanetti in 1976, 1981 and 1983 for the completion of the book *Il Caso Basilicata* (1987); and (2) the field research I carried out, using interviews and questionnaires, in June 2006.

Leonardi, Putnam and Nanetti interviewed 35 people who had regular contact with the political class (mayors, NGO representatives, representatives of economic associations), and 58% defined it as honest (Leonardi *et al.*, 1987:30). The general opinion that emerged from the interviews was that people were trustful of the political class. The interviewees suggested that this trust came from the fact that the political class was perceived to be acting in the interest of the region and pursued the goal of the socio-economic development of the region (Leonardi *et al.*, 1987: 95-116). Clearly, this analysis of the first fifteen years of the regional government by Leonardi *et al.* produced a positive picture of Basilicata's political class.

In a similar way to Leonardi *et al.*, I interviewed a sample of civil servants and politicians about political accountability (Table 6.8). Here, 65% of the sample felt that the political class was accountable, compared with a smaller percentage (42) in Sicily, whereas 25% and 10% respectively felt that there was only a partial level of accountability or an absence of accountability (question 1). In the same vein, 50%

declared that there were procedures in place to ensure accountability (question 2), and an impressive 90% declared that the accountability of the political class was related to government stability (question 3). During an interview, the former general manager of the MA said:

“Political stability forces the political class to be accountable because they know they will be seen as responsible for the results of their actions and their names will be correlated to any success or failure. On the other hand if a politician knows he will soon be gone, then he will act irrespective of the consequences”.¹⁵⁷

Clearly, the responses confirm the validity of the findings of Leonardi *et al.* (1987) and suggest that we can define the political class in Basilicata as accountable.

An analysis of the second set of questions (Table 6.8), which focused on understanding whether the political class had obstructed or encouraged monitoring and evaluation activities, substantiates the belief that the political class in Basilicata was supportive of those activities. Indeed, as reported in Table 6.8, when asked about whether there was a connection between the political will and the performance/improvement of the monitoring and evaluation activity, 75% of those interviewed identified a partial connection (question 4). Furthermore, in answer to the question of whether the political class supported or obstructed any form of monitoring and evaluation of Structural Funds, 85% declared that the political class had supported those activities (question 5). At the same time, 90% said that the political class had contributed to the spread of a cultural evaluation within the regional organization (question 6). Unlike the image of political indifference and disregard towards monitoring and evaluation that emerged in Sicily, it appears that in Basilicata the political class considered these activities to be useful instruments in improving its own political strategies (question 7).

¹⁵⁷ Interview with Andrea Freschi, Region of Basilicata (Potenza: 7 June 2005)

Table 6.8 Questionnaire on political accountability in Basilicata

Questions	Answers (%)
1) In your opinion, is the political class accountable?	
a) Yes	65
b) Partially	25
c) No	10
2) Are there adequate procedures in place to ensure political accountability?	
a) Yes	50
b) Partially	30
c) No	20
3) In your opinion is the degree of political accountability related to the stability of the government?	
a) Yes	90
b) Partially	10
c) No	0
4) Is the performance/improvement of monitoring and evaluation activity related to political will?	
a) Yes	15
b) Partially	75
c) No	10
5) Is the political class open to the practice of monitoring and evaluation?	
a) Yes	85
b) No	0
c) It is indifferent	15
6) Has the political class propelled or obstructed the advancement of an evaluation culture?	
a) Propelled	90
b) Obstructed	0
c) Neither	10
7) How would you define the perception of the political class of the practice of monitoring and evaluation?	
a) ... a useful instrument to improve their activities	90
b) ...an obstacle of their activities	0
c) ...neither an obstacle nor a facilitator of their activities	10

Questionnaire carried out in June 2006

6.5 Conclusion

Following my second question – i.e. why does administrative capacity vary at the regional level? – the primary and secondary sources, and, most significantly, the interviews with policy makers both in the administrative and political arenas, have supported the second part of my central hypothesis, which is that three main political factors – i.e. political interference, government stability and political accountability – influence the features acquired by the four key components of administrative capacity. The findings that emerge from my study can be summarized under two main headings.

(1) A correlation exists between each of the political factors and each key administrative component

A) Deficiency in management is influenced by strong political interference.

Thus, a weak management system should be attributed not only to the skills and training of the administrative class, as the existing literature suggests, but also to the existing institutional structure, and more importantly to the practice of power sharing between the political and the administrative layers. The analysis has demonstrated that this is the case for Sicily, where a poor management system, measured in terms of the lack clarity of role among personnel and the lack of coordinated activities within each *assessorati*, can be traced back to the blurring between administrative and political responsibilities. The latter is characterized by strong political interference and a subordinate administrative class where the average civil servant bargains to accept political intrusion in exchange for personal rewards. This interference creates uncertainty in terms of “who does what” and leads to a lack of coordination, confusion, and the predictability of administrative action.

Indeed, the result of the empirical investigation has undoubtedly supported my first hypothesised relationship, which was that between management of Structural Funds and political interference. Indeed, to improve the management of Structural Funds it was necessary to have better coordination among the different departments of the regional administration and a greater clarity of roles. Such conditions are strongly determined by the separation of powers and responsibility between the political and the administrative class. This scenario is exemplified in Basilicata. Here, data gathered through interviews and questionnaires and supported by documentary evidence revealed that the successful implementation of the Structural Funds depended on the existence of a strong centre of coordination for the formulation of strategy and management of the Funds. In Basilicata these conditions were supported by a healthy alliance between the political and administrative spheres. Although it experienced the inevitable difficulties along the way, the region has not only redefined its internal organizational structure but has also created

new bodies in charge of the Structural Funds. The creation of the Cabin of Direction, composed of a “Mixed Committee” representing the political level and the Interdepartmental Technical Commission, which incorporates the technical staff, was the key factor in achieving successful management because it created an arena for discussion and exchange between the political and technical levels of management. The two levels have worked with a full recognition of their own roles, powers and responsibilities, and this has led to a constructive relationship. The absence of interference in each other’s spheres has allowed the administration to consolidate its role as the ultimate “implementator” of the policy. The reason for this outcome can be clearly traced back to the support provided by the political class, which saw in the EU Funds an opportunity to restructure the regional economy and innovation with regional programme.

B) Poor programming performance is correlated to high government instability.

The empirical research brought to light substantial evidence to support the suggestion that government stability has an important bearing on programming performance. Indeed, in Sicily governments have been highly unstable – there has been a different cabinet almost every year – whereas in Basilicata each cabinet has lasted for the entire legislative period. Regional governments that change constantly have more difficulty in maintaining a strong commitment to multi-annual programmes. In addition, unstable governments are more likely to witness changes not only in the political class but also in the civil servants responsible for the implementation of development programmes.

Bureaucrats facing a continual change in political leaders have no incentive to take decisions in terms of programming that might then be changed all over again by new incoming politicians. Therefore, the safest way around a potential conflict with the political class is not to decide and to postpone decisions indefinitely (Cassese, 1984). Such behaviour is likely to cause significant discontinuity and delay in the overall administration of programmes. A multi-annual programme takes years to deliver results, while a cabinet that lasts for less than a year can only deal with short-term matters.

In the case of Sicily, the frequent changes of government had repercussions on the programming activities in terms of the two indicators I have investigated: programme

design and programme approval. Indeed, programme design was robbed of coherence and continuity. The high instability allowed each government to act irrespectively of any long-term plan, because it “knew”, according to past experience, that it would not last any longer than an year. Since 2001, with the change in the electoral system, Sicily has witnessed its first government to remain in power for the entire five years of the legislature. This has been identified as one of the reasons for the improvements recently registered in programming performance.

The case of Basilicata is unlike the situations described above. Here, the governments have always been stable, and this has guaranteed the ability to implement long-term plans, to ensure coherence and continuity in the planning strategy, and to avoid delays in programme implementation.

C) Monitoring and evaluation practices are affected by political accountability

The test of this correlation was mainly based on the results of the data collected through the questionnaires and interviews, and on my personal observations. In Sicily an overall agreement on the existence of weak political accountability has emerged. As far as the eventual correlation between the latter and the under-utilized practice of monitoring and evaluation is concerned, the link seems to exist. However, in Sicily this link is not as strong as the one that emerged in Basilicata.

Indeed, in Sicily it seems that the political class has not been interested in supporting monitoring or evaluation activities. Therefore, it cannot be said that the political class has obstructed those activities, but it could be speculated that the indifference shown by the political class might have contributed to the slow spread of an evaluation culture within the regional administration.

Conversely, in Basilicata it is apparent that the political class is perceived as accountable, and that there is a correlation between the improved monitoring and evaluation activities and the supportive actions taken by the politicians. The hypothesis that is confirmed by such results is that if the political class is accountable it will be supportive of forms of monitoring or evaluation. On the other hand, if the political class acts in a clientelistic fashion, then it will have no interest in publicizing its activities.

(2) A correlation exists between the three political factors.

Investigating the correlation between the political factors and the administrative key components has also revealed that not only does a correlation exist between these two areas, but also that a political model can be anticipated by looking at the features acquired by the three political dimensions.

Indeed, in Sicily the strong government instability appears to have been liable for the following features: (i) the strong intervention of the political class in the administrative area; and (ii) the lack of accountability of the political class. An opposite situation emerges in Basilicata. Here the government stability seems to foster (i) the shared respect of the different roles of the political and administrative areas; and (ii) a more accountable political class (cf. Figure 6.1).

Chapter 7

Conclusions

7.1 Introduction

This thesis began by observing some puzzling empirical evidence. Retrospective data on Structural Funds implementation rates over the past 16 years, presented in Chapter 1, show very different performance levels among Member States, and illustrate that Italy's performance has constantly lagged behind that of other EU Member States. However, an analysis of the Italian Objective 1 regions, which are all located in the southern part of the country known as the *Mezzogiorno*, clearly reveals that not all follow the same general trend. Retrospective data suggest that Structural Funds implementation over previous planning periods has differed markedly between regions. The spectrum of performance ranges from a very low implementation rate in Sicily to a high rate in Basilicata.

Having observed that variation exists at the regional level, it remains to be seen whether a common set of causal factors can be found. The review of the existing literature presented in this thesis has clearly revealed that an exhaustive explanation for the observed differences in performances cannot be found (cf. Section 1.6). The focus of my research was an attempt to single out the variable(s) accountable for regional performance variations with regard to Structural Funds expenditure and implementation of the EU cohesion policy.

This concluding chapter will review the findings of the thesis (cf. Section 7.2) and discuss the implications of these findings (cf. Section 7.3). There are three sets of

stakeholders with a potential interest in these findings: (i) EU policy makers; (ii) national government policy makers and (iii) regional governments.

The penultimate section of the chapter (cf. Section 7.4) highlights the contribution made by this thesis to the existing literature. Three main aspects have emerged from the study: (i) a new definition of administrative capacity; (ii) the measurement of administrative capacity at the regional level; and (iii) the identification of a relationship between administrative capacity and political activities and characteristics.

The final section of this chapter sets out an agenda for future research (Section 7.5). Three directions of future work are suggested: (i) further studies on variables that can determine administrative capacity variations and application of the administrative loop designed in Chapter 2 to investigate other regions; (ii) research on the impact of higher institutional performance on social capital formation; (iii) relation between quantitative and qualitative implementation.

7.2 Summary of findings

This thesis began with an empirical observation: implementation rates for Structural Funds vary significantly not just across Member States but also between regions within the same Member State. Therefore, the first part of my main research question was: what determines variation in regional implementation of Structural Funds? The first part of the central hypothesis that I put forward was that Structural Funds implementation is positively correlated to the degree of regional administrative capacity.

The corollary question to such a hypothesis is: if it is true that Structural Funds implementation is determined by administrative capacity, then what is it that determines the variation in administrative capacity – i.e. why does administrative capacity vary between regions? The second part of the central hypothesis claims that the degree of administrative capacity is determined by political factors; namely political interference, government stability and political accountability.

An inference of this second part of the central hypothesis is that a causal relationship exists between each of the key actions of administrative capacity – i.e. management, programming, monitoring, evaluation – and each of the three political factors.

To answer the two parts of my central question I proposed three additional research questions that helped me to structure the argument:

- 1) How have the national and regional governments reacted to the innovations introduced by the CSF development approach, and have the national and regional institutions changed and reorganized their structures in order to comply with the rules of EU regional policy?
- 2) Did the regional level possess an adequate level of capacity to perform its role in the multi-level system of governance?
- 3) Was there a process of institutional, administrative and political adjustment, i.e. can we identify any virtuous/vicious pattern of interaction between the administrative and political areas that favours/compromises regional performance?

Sections 7.2.1 and 7.2.2 will summarize the answers to the first and second parts of the central research question respectively.

7.2.1 What determines variation in regional implementation of Structural Funds?

The first part of the central question was addressed in Chapters 1 and 2 and fully investigated in Chapter 5. Chapter 1 reviewed the existing literature on Structural Funds implementation in search for an explanation. It established the lack in the literature of an in-depth analysis of the implementation process, caused by the preoccupation of the vast majority of authors with the policy-making process or the final economic impact of the resources, which meant that they never fully take into account what happens to policies during the implementation phase.

After demonstrating the importance of the implementation stage, I discussed how the observed regional variation in terms of expenditure is not fully explained by social capital theory, absorption capacity or economic factors, which omission constitutes a gap in the literature and leads to the need to find possible explanations. Towards this end I proposed a new variable that could account for differences in regional performance: administrative capacity.

Chapter 2 reviewed the literature on administrative capacity by examining the various definitions and approaches that have been suggested by other authors. However, what emerged was that in the literature there is neither a clear definition of administrative capacity nor a strong and coherent assessment model capable of use in analysing administrative behaviour and implementation processes. Therefore, I reviewed the literature on institutional capacity, which, although it is a broader concept, gave me a pattern to follow in suggesting a definition for administrative capacity. Based on a combination of the literature on institutional capacity, a thorough scrutiny of Structural Funds principles and structures, and the analysis carried out by Boijmans (2003), I proposed that administrative capacity is characterized by four key components: (1) Management; (2) Programming; (3) Monitoring; and (4) Evaluation.

My definition of administrative capacity encompasses both the activities that the regional government should be performing, and the results it should be achieving. Taken as a whole these actions create a framework that operates as a system – i.e. the key components are related to each other so that the outcome of each is closely related to the others. This creates a loop where if each phase is performed well, a high level of Structural Funds implementation occurs (cf. Chapter 2, Figure 2.2).

In order to assess the degree of administrative capacity in the two selected regions (Sicily and Basilicata) I suggested a number of indicators to measure and compare each key activity. The results of each four activities provided an overall indication of the degree of administrative capacity existing in the region. Data collection was based upon three techniques to ensure the reliability of findings: (1) analysis of primary documentary material; (2) interview data – in the form of questionnaires and semi-structured interviews; and (3) direct observation of regional administrative interactions (Johnson, 2005: 185-304).

Chapter 5 presented the results of the extensive fieldwork conducted in the two regions and the assessment of administrative capacity according to the suggested indicators. By analysing the three periods (1989-1993, 1994-1999 and 2000-2006) of the Structural Funds implementation I was able to investigate whether a relationship exists between the

level of administrative capacity and the rate of expenditure for each period. The relationship between the two variables emerged as strong and consistent. Indeed, in Sicily during the first period (1989-1993), administrative capacity was, according to my measurement, “absent” and the rate of expenditure was very poor. The region was only able to spend 57% of the allocated Structural Funds over five years, whereas in Basilicata the level of expenditure was much higher (92%) and the level of administrative capacity was measured to be “starting”. During the second period, administrative capacity in Sicily registered some small improvements. According to my indicators, this appears to be at a “starting” level; interestingly, the rate of expenditure at the end of 1999 was 75% of the total allocation. Similar, parallel improvements were observed in Basilicata, where administrative capacity reached a “developing” level, and the Funds were completely spent. During the third period (2000-2006), which I have analysed until 2004, continued improvement was registered in Sicily in terms of both administrative capacity and expenditure of Structural Funds. After four years, Sicily had spent 23% of its allocation and Basilicata had spent 38%: clearly, the gap between the two regions has narrowed. The assessment of administrative capacity revealed improvements both in Sicily and in Basilicata, although in Sicily the situation appears worse when compared to Basilicata.

In summary, the main findings emerging from the assessment of administrative capacity in the two regions are the following:

1) Management has improved in Sicily only in recent years. However, it still appears to be weak according to both indicators illustrated in Table 2.3. First, the role of the administrative personnel in managing the policy is not yet clearly defined, and this often creates a duplication of workloads. Secondly, each administrative department acts in an uncoordinated fashion. Indeed, each *assessorato* acts as an independent unit, and tries to protect its autonomy from the “interference” of other regional administrative branches, even though this is at the cost of overall administrative efficiency. In Sicily, weak management has caused a slow down in the pace of implementation due to the general confusion over “who does what” and the duplication of efforts between the different

assessorati. By contrast, in Basilicata the driving factor towards a more efficient management, was the creation of a central coordination body responsible for optimising collaboration between different departments and clarifying individual roles. This collaborative attitude based both on formal and informal channels

“is part of the regional administration policy, which since 1980 has always worked together towards implementing actions which were perceived as beneficial to the economic and social development of the regions, such as the case with the CSF”(Recorded interview).

Both regions appear to have a vertical organizational structure, with the difference that in Basilicata there is a strong horizontal coordination of activities.

2) The second key component of administrative capacity is programming. According to my analysis, both programme design and programme approval are still weak in Sicily. Here the development programmes appear to be extremely fragmented, although progress has been made in the use of the SWOT analysis to provide consistency to the development strategy. Indeed, over the first two periods of planning, the region's specific socio-economic characteristics were not fully considered. Due to the poor correspondence between planned interventions and real territorial needs, few well thought-out projects were put forward for funding. Consequently, this meagre funding request led to a great difficulty in spending the allocated resources.

Programme approval, my second indicator, has consistently been delayed by at least two years in Sicily. A delay in the approval of the programmes by the EU level delayed the beginning of the programme at the regional level, thereby compromising the possibility of implementing the programme within the allocated time span. However, improvements in both indicators have been noted over the three periods of analysis.

In contrast, the programme presented by the Basilicata region from the beginning closely adhered to the needs of the region and focused on projects that corresponded to the requested EU criteria and were in a position to mobilize the investment of resources by private firms. Furthermore no delays in programme approval occurred after the first planning period.

3) Monitoring is the third relevant element within the concept of administrative capacity. As emerged from my study, the monitoring system introduced in Sicily is not efficient mainly because its indicators are not adequate for measuring programme results. Furthermore, the necessary data has only recently become available in a systematic fashion. Sicily still suffers a gap between the gathering of data for monitoring purposes and programme management – i.e. monitoring systems satisfy accountability needs but fail to provide feedback into the management process. Conversely, the monitoring system set up in Basilicata appears to be both efficient and effective based on a complete and exhaustive set of indicators. Over the 1994-1999 period, Basilicata was the sole southern region to spend its entire Structural Funds allocation:

“Among other factors, the achievement of such a successful result has been possible due to the existence of a complete and efficient monitoring system. The system has guaranteed the availability of both financial and physical measurement data that has allowed the Regional administration to keep the evolution of expenditure under constant control and to promptly intervene to correct any problems that arose” (Ecosfera *et al.*, 2002: 144).

4) Finally, as far as concerns the assessment of evaluation activities, when investigating the first indicator it emerged that both an *ex-ante* and a mid-term evaluation were carried out in both regions. This said, the *ex ante* evaluation report produced by the Basilicata region appears to be more thorough and extensive in nature. Indeed, it scrutinizes all areas of intervention and quantifies possible results, whereas the *ex ante* evaluation in Sicily considers only a few areas of intervention. Focusing on the second indicator, interviews with some civil servants in Sicily revealed only until a few years ago the evaluation process was merely considered an extra workload whose beneficial effects were not understood.

“Recently, the perceived value of evaluation has improved, although it is still far from becoming an instrument not only for the enhancement of Structural Funds expenditures but also for the overall public policy sphere” (cf quotation pag.194).

The situation in Basilicata is much more advanced; indeed the region is already familiar with the practice of evaluation and this culture has spread within the organization. Both

the administrative and political spheres pay great attention to the results that have emerged from the assessment in order to improve future implementation performances.

The summary above shows that testing the first part of the central hypothesis revealed significant evidence to support the relevance of administrative capacity in terms of the four actions investigated in determining Structural Funds implementation rates. Once I had assessed the overall degree of administrative capacity present in Basilicata and Sicily, the second question in need of consideration asked what it is that can account for the variation in administrative capacity among the regions. Following the second part of the central hypothesis, I tested whether the features that constituted administrative capacity could be influenced by political factors. The results of this second test are summarized in the following section.

7.2.2 Why does administrative capacity vary across regions?

Part of the literature has suggested that regional administrative capacity might be influenced by three different variables: namely (1) education level of the administrators; (2) the centralized approach to policy making; and (3) levels of corruption among regional administrators and politicians. In Section 2.2.3 we saw that administrators in Sicily and Basilicata share the same level of education. In Chapters 3 and 4, I demonstrated that centralization was a variable that affected both regions before 1989 and up until 1992, with regard to the national development regional policy. In sections 2.3.3 and 3.4.2 I also analysed the presence of *mafia* and corruption. *Mafia* organisations exist in both regions, while the level of corruption is difficult, if not impossible, to measure with objective indicators in both case studies.

Once we established that these three variables do not provide a sufficient level of differentiation or operationalisation, I had then to test the second part of the central hypothesis, which claims that the different degrees of administrative capacity might be influenced by political factors; namely political interference, government stability and political accountability. The fieldwork carried out in both regions, the review of primary source documents and the extensive interviews uncovered evidence that suggested each

political factor acts not only on administrative capacity in general but is linked with each specific administrative component.

In the interviews, the people questioned in both Sicily and Basilicata made constant reference to the different ways in which the political class had influenced the four activities that constitute administrative capacity. Indeed, from the investigation three corollary relationships emerged:

1) A weak/strong management performance is influenced by high/low political interference and a blurring/separation of powers between the political and administrative classes;

2) Programming coherence, in terms of strategy continuity and time taken for approval, is compromised by an instable/stable government subject to frequent/infrequent changes in leadership; and

3) The existence and functioning of a monitoring system and the spread of an evaluation culture within the regional government are both influenced by the high/low level of political accountability.

These three relationships largely remain distinct, although they are not exclusive. In reality, the political and administrative factors are not so neatly correlated. Indeed, the analysis has revealed that political interference acts mainly on the management system but it also influences programming performance. Similarly, government instability affects the coherence of programming and the time needed to gain approval of the programmes from Brussels. It also seems, however, to have some bearing on management performance. Finally, both political interference and government instability characterize the political class, which does not appear to be politically accountable.

The three political factors seem to have different features in Sicily and in Basilicata. Indeed, in the first region, they have the following characteristics:

1) A disrupting political interference, where the political class dominates the administrative sphere, thus restricting the latter's ability to implement the programmes,

interfering with the management activities, and ultimately increasing the uncertainty of “who does what” and leading to an uncoordinated set of actions and a confusion of roles;

- 2) A high level of government instability with constant change of leadership has caused a significant amount of discontinuity and delay in the overall administrative system and has had repercussions on programme coherence and delays in approval of the programmes;
- 3) A lack of accountability of the political class has led to its closed attitude to any form of evaluation or monitoring of programmes.

An opposite situation emerged in Basilicata, where I found that:

- 1) There is a supportive political class, which has seen the EU Funds as an opportunity to reinforce the region’s social and economic structure and renew programmatic interventions. The two levels, political and administrative, have been able to work together, with each in full recognition of the other’s role, power and responsibility in creating a constructive relationship;
- 2) The governments have always been very stable. This has enabled the implementation of a long-term plan, and has ensured coherence and continuity in the formulation of the development strategy, and the avoidance of undue delays in programme preparation or authorisation;
- 3) The political class is perceived as accountable and favours the development of monitoring and evaluation practices.

The above political factors seem to have had an important influence on the evolution of the four actions of administrative capacity measured in both Sicily and Basilicata. The findings support the second part of the central hypothesis – i.e. that the three political factors appear to account for the variation in administrative capacity between the two regions.

Testing the second part of the central hypothesis also revealed that not only does a correlation exist between the political factors and the administrative key components, but that a political model can also be anticipated by looking at the features of the three

political dimensions. Indeed, in Sicily the strong government instability appears to be liable for the following features: (i) the political class intervenes heavily in the administrative area; and (ii) the political class is not accountable. An opposite situation emerges in Basilicata. Here the government stability seems to foster (i) the practice of respecting the division of actions between the political and administrative areas, and (ii) a more accountable political class.

The implication of these findings is that elected politicians are far from unimportant in both Sicily and Basilicata. The commitment and support of the political party towards the elected leaders are indispensable conditions of the consolidation of the process of administrative capacity building induced by Structural Funds. This observation is valid both for northern and southern regions: where politicians are hostile or scarcely interested, the innovations promoted by Structural Funds – management, programming, and monitoring and evaluation of public intervention – risk being totally absent or, at best, remaining isolated in small sectors of the administrative machinery. Similarly, government stability plays a fundamental role in guaranteeing continuity in the process of capacity building, which takes time to be accomplished.

Up until 1994 the same party ruled both regions (the Christian Democratic party), but the outcomes in terms of leadership stability and programme coherence were quite different. After 1994 the two regions were ruled by different political coalitions: the centre-left in Basilicata and the centre-right in Sicily. Basilicata continued to register its high level of performance and Sicily improved its level of performance. The improvements that took place in Sicily were not in my opinion attributable to the changes in the party coalition (from centre-left to centre-right) but rather to policy learning and the restrictions imposed by national legislation on political behaviour – i.e. the amount of interference that could be imposed by the political sphere on the administrative one was narrowed. Therefore, during the third cycles of the Structural Funds, the level of performance of Sicily improved because the level of political interference had decreased and the stability of the regional government had improved. These political features had repercussion on the administrative sphere. Indeed, they

allowed a more coordinated management and an improved coherent development programme.

7.3 Policy implications

The findings that have emerged from this thesis on the key components of administrative capacity and on the relevance of political factors in influencing the variation in capacity between the regions has policy implications for three sets of stakeholders: (i) EU policy makers; (ii) national policy makers; and (iii) regional policy makers. Indeed, a number of strategies emerge from these findings, which improve the degree of administrative capacity, increase the rate of Structural Funds expenditure, and improve overall levels of policy implementation.

7.3.1 For EU policy makers

EU policy makers¹⁵⁸ have stressed the relevance of administrative capacity for improving levels of implementation of cohesion policy.¹⁵⁹ However, as discussed extensively in Chapter 2, although administrative and institutional capacity were highlighted as vital elements with regard to this, neither a clear definition of administrative capacity nor a strong and coherent assessment model is to be found in the existing literature.

The first accomplishment of this thesis is to have provided a definition of administrative capacity that can be replicated in other regions or Member States.

¹⁵⁸ Not just those involved with regional and cohesion policy based at the DG Regio.

¹⁵⁹ In previous programming periods, the EU has, through technical assistance, reinforced the management capacity of Member States and managing authorities in implementing the regulations. Beyond the management of the Funds, effective administrative capacity of public administrations and public services is a fundamental requirement for economic growth, private investments, and job creation. Thus, the Funds have supported investment in human capital and related ICT facilities of administrative and public services at all territorial levels (Council Regulation 1260/1999).

According to my definition, administrative capacity is no longer an abstract concept but can be broken down in four key actions, which can be easily operationalized. EU policy makers could benefit from such a characterization and suggest policies for building or strengthening each action. This could make their policies more concrete. Furthermore, I have suggested indicators that could be used to benchmark administrative capacity progressions. This will allow EU policy makers to control whether and how administrative capacity develops, and eventually to intervene if the situation stagnates, as it did in Sicily, where development in the four areas of administrative capacity were poor during the first and second planning periods.

Unfortunately, EU policy makers seem to repeat the same mistakes. Indeed, the new Council regulation for cohesion policy over the forthcoming period (2007-2013) continues to be extremely vague. The aim of Structural Funds for the new Objective 1 regions is laid out as follows:

“In the case of regions and Member States eligible for support under the Convergence objective, the aim should be to stimulate growth potential, so as to achieve and maintain high growth rates, including addressing the deficits in basic infrastructure networks and strengthening institutional and administrative capacity” (Council Decision 18/08/2006:5).

In the subsequent pages we read that:

“an appropriate amount of the European Social Fund (ESF) resources shall be allocated to capacity-building, which shall include training, networking measures, strengthening the social dialogue and activities jointly undertaken by the social partners” (Council Decision 18/08/2006:42).

Still there is no sign of a more concrete and operational definition of administrative capacity.

For Cohesion countries and regions under the Convergence Objective (Objective 1), increasing productivity and quality at work in the public sector – especially in the economic, employment, social, educational, health, environmental and judicial areas – is essential in order to pursue and accelerate reforms, to raise productivity and growth in the wider economy and to promote social and territorial cohesion and sustainable development. The Structural Funds can play an important role in supporting effective policy design and implementation, which involves all relevant stakeholders, in a broad

range of fields. Thus, Member States are invited to conduct a comprehensive analysis to identify the policy areas requiring the most support with regard to administrative capacity (Council Decision 18/08/2006).

In conclusion, the EU policy makers call upon Member States and regions falling under the Convergence Objective to build up public administrations and public services at national, regional and local levels, but still they do not give any specific definitions or indicators by which eventual progress may be benchmarked. My thesis has attempted to fill this gap, first by providing a model of administrative capacity that can be applied by member states to any region, irrespective of its administrative tradition; second, by suggesting objective indicators which would not only make it possible to measure improvements in a specific country over time, but also to make cross-country comparisons.

7.3.2 For national government policy makers

The experience of Member States of the management and implementation of Structural Funds demonstrates that there is no single, universally applicable model that holds true for all cases and situations. The context of regional administrative structures and political culture has a significant bearing on the actual model that is adopted in a particular location. It would therefore be a mistake to study the efficiency of Structural Funds implementation without taking full account of this diversity of context.

The case of Italy has demonstrated that the precondition which meant that the regions operated under a system of strong centralized national intervention has left them very weak in terms of their capacity in policy making and policy implementation. The retrospective look at the establishment of the regions as administrative units and of the different phases of the Italian regional policy within the European scenario, addressed in Chapters 3 and 4, clearly revealed that the system of multilevel governance was not established in Italy until relatively recently. Indeed, it is only in the last 20 years that the national government has recognized the regional authority and has taken a more decentralized approach to regional policy, allowing the regions to grow and build their own capacity. Of course, the delay in complying with the EU dictate for cohesion policy

left a gap, not only between Italy and other Member States (as exemplified by the delay in the rate of Structural Funds expenditure), but also within the Italian boundaries.

In this respect, the achievement of this thesis is to have demonstrated that a centralized approach is not adequate for the implementation of cohesion policy. Member States need to develop a multilevel framework approach to both policy making and implementation process.

According to EU policy makers, Member States should ensure that the need to increase efficiency and transparency in public administrations and to modernize public services is adequately addressed. Guidelines for action under this heading are the following:

“(i) Support good policy and programme design, monitoring, evaluation and impact assessment, through studies, statistics, expertise, and foresight, support for interdepartmental coordination and dialogue between relevant public and private bodies; (ii) Enhance capacity building in the delivery of policies and programmes, especially through mapping of training needs, career development review, evaluation, social audit procedures, implementation of open government principles, managerial and staff training and specific support to key services, inspectorates and socio-economic actors” (Council Decision of 6 October 2006: 18).

As I have already stated, these guidelines appear to be very generic. What in practice do national governments have to do? How can they enhance capacity building? The question that has been at the centre of part of this thesis returns: which capacity are we referring to? How do we measure the progress of these capacities?

By reading the EU official documents we can deduce what the Commission means by the phrase “administrative capacity”. In general terms, the Commission has sought the following reforms in the public administrations of the applicant states: legislation, specifically that regarding the civil service; the establishment of a civil service career; political neutrality of the civil service; and pay reform designed to bring public sector pay closer to that in the private sector. Behind, and below, these broad horizontal measures the Commission has now routinely reviewed the capacity of applicant states to implement the *acquis* in different areas.

New Member States, which have dealt with the issue of administrative capacity since the negotiations started, have been trying to implement actions to promote administrative

capacity at the national level and also to assist the sub-national level in doing so, following the above EU guidelines. The EU-15 Member States, however, started their programmes of capacity building more recently. Some countries, such as Spain, England and Italy, invested in capacity building activity during the period 2000-2006. National policy makers play an important role in this area because they can allocate part of the budget to implement programmes of regional assistance for improving capacity. To do this, however, they need a clear idea of which capacity aspects to be improved. Again, my thesis fills this gap by studying the regional dimension: I have suggested which administrative area needs to be strengthened. National policy makers aware of the specific regional deficiencies could suggest more effective and targeted interventions. Furthermore, a forum for exchanging experience between regions could be created.

7.3.3 For regional governments

The extensive fieldwork conducted during my research in the two selected case studies allows me to provide the regional governments with some useful indication of how to improve Structural Funds implementation. Regions need:

- to set up a structure for improving centralized management that guarantees horizontal coordination and clarity of role among personnel, mainly when several departments are involved. This will support the programming, monitoring and implementation process for the whole period by maintaining a constant vision of the whole process;
- to develop a programme based on a coherent SWOT analysis whose strategy of development responds to the real territorial needs. It should be possible to carry out the development plan within the time period set out by the multi-annual European time span. Both an effective programme design and efficient programme approval time will allow the implementation process to be speeded up;
- to provide a punctual and accurate monitoring system which directly feeds information into the management unit, in order that interventions may be made

where necessary. This will allow the management unit to intervene when monitoring data indicates that problems have appeared;

- to support the spread of evaluation activities within the regional administration, so that programming of future interventions can be improved. An evaluation carried out in three stages – *ex-ante*, *initinere* and *ex-post* – will highlight qualitative problems, which not always are captured by the monitoring indicators.

My research revealed that administrative activities are mostly influenced by some political factors. Therefore, bearing this in mind, the regional government should aim to do the following:

- Reduce political interference in the administrative arena. This has been the subject of both national and regional legislation that aims to differentiate the two spheres of action. However, the formal legislation can only do so much; it is up to the political class to respect the administration and to give it space to operate. It is the responsibility of these two spheres to work together in order to promote the successful implementation of development programmes.
- Promote government stability, not only in terms of keeping the same President for the entire legislation, but also in not reshuffling the *assessori* mid-way through the government's tenure. Regional governments that change constantly have more difficulty in maintaining a strong commitment to multi-annual programmes. Unstable governments are also more likely to witness change in the civil servants responsible for sustaining development programme as well as in the political class. This is likely to cause a significant amount of discontinuity and delay in the overall administrative system.
- Increase political accountability, so that monitoring and evaluation activities are not perceived as a threat but as supportive elements of any decision-making process.

The above implications for administrative and political actors, although deduced through a thorough investigation of Structural Funds policy implementation, could also be expanded to other policy area of regional concern.

7.4 Contribution to the literature

The thesis has made a contribution to the existing literature in: (i) providing a new definition of administrative capacity; (ii) operationalizing the measurement of administrative capacity at the regional level; and (iii) suggesting how administrative capacity is linked to political characteristics and activities.

As mentioned in Section 7.3.1, the first accomplishment of the thesis is to have filled a gap in the existing literature with a definition of administrative capacity that can be operationalized and applied in any region or Member State, therefore allowing cross-country comparison. In addition, I have also suggested some indicators against which administrative capacity and the influence of the process of policy learning in changing administrative behaviour patterns can be benchmarked over time.

The second accomplishment of the thesis is to have performed a novel investigation into whether the regions of the EU-15 Member States possessed an adequate level of administrative capacity to implement the Funds according to the stipulated rules and regulations. This analysis and the related extensive fieldwork have not previously been tackled in the literature, which in the past has significantly overlooked the whole issue of EU policy implementation. Indeed, while there is a rich case study literature that looks at the CEECs, there is a lack of systematic comparative research testing the administrative capacity explanation among the EU-15. This thesis attempted to fill this research gap, first by identifying the component elements and measures of administrative capacity, and then by testing the existence of this capacity in two selected case studies.

My research has revealed that administrative capacity is a central issue not only in the new Member States but also in the old ones. Indeed, the case studies of Sicily and Basilicata revealed that administrative capacity building is a process that encountered difficulties in the former, but went smoothly in the latter. The evidence gathered in both regions allowed the identification of impeding factors and provides indications of what needs to be done in the future by both new and old Member States in order to improve current implementation strategies and avoid the mistakes that have cropped up in the past (cf. Section 7.3.3).

The third accomplishment of my research is to have provided a theoretical model of interaction between the administrative and the political variables (cf. Section 2.3.2). This model has been tested in the two selected case studies and the evidence gathered seems to back up the hypothesis that if a government has a high level of instability, it is more likely that the political class is interfering and lacks accountability. Such a political model has negative repercussions on administrative performance. Indeed, in that political context, the management is unclear and not coordinated, the programme lacks of a coherent long-term strategy and monitoring and evaluation activities are limited. Such and administrative performance ultimately slows down the rate of Structural Funds expenditures. This scenario has emerged in Sicily.

In conclusion, multilevel governance provides a framework for policy making and policy implementation and can deliver great results. However, it requires that all the actors involved at different levels possess the adequate capacity to administer the policy, whether it is regional or otherwise. A process of decentralization within the Member States is deemed necessary in order that the sub-national regions may emerge in the EU arena. However, this is not sufficient to develop administrative capacity. Two different but complementary arenas, political and administrative, constitute regional government. They need to find equilibrium in the way they interact, where each respects the other's roles and responsibilities without limiting or interfering in its arena.

It is through a proactive cooperation between the administrative and political bodies that regional institutions can achieve the goal of effectively implementing their policy, and therefore deliver results.

7.5 Agenda for future research

Three directions of future work are suggested: (i) further studies on variables that can determine administrative capacity variations and application of the administrative loop designed in Chapter 2 to investigate other regions; (ii) research on the impact of higher

institutional performance on social capital formation; (iii) relation between quantitative and qualitative implementation.

My research supports the hypothesis that three political factors determine variation in administrative capacity. However, further studies that might identify other intervening variables are encouraged. The existing literature points at education and/or corruption as potential independent variables. These were not relevant in my selected case studies, but the spectrum of regional examples is so vast that it would be worth testing those variables in other regions.

Similarly, the administrative capacity loop designed in this thesis needs further testing. I advocate that four activities constitute the successful implementation of Structural Funds. This is consistent in the case studies that I have investigated, but testing the loop in other regions would further validate its relevance.

This thesis started by considering social capital being similar in both regions as suggested by Putnam et al (1993). It would be interesting to investigate the impact of higher institutional performance on civil society, in terms of increasing trust in intuitions, networking and association and therefore, ultimately increasing social capital.

Finally, a question for future research relates to the correlation between quantitative and qualitative expenditures – i.e. does higher implementation rate correspond to higher quality of projects? Does spending more means spending better? My future research will focus on both the last two questions.

ANNEXES

Annex I

List of Interviews in Sicily and Basilicata

PART I. Fieldwork carried out in Sicily

List of people interviewed

A recorded interview of almost 1 hour was conducted with the key actors of both the political and administrative arena between the 28th of June and the 30th of July 2005. The list below shows, the name, the role, the department/*assessorato*, eventually the office/area of each interviewed and the date. The list follows an alphabetical order grouped by *assessorati*.

A. Political role

Name	Role	Assessorato/ department	Office/Area	Date
1) Innocenzo Leontini	Assessore	Agriculture and Forest		28/06/2005
2) Alessandro Pagano	Assessore	Cultural Resources		28/06/2005
3) Michele Cimino	Assessore	Programming Department		28/06/2005

B. Administrative area.

B1. General managers and managers:

Name	Role	Assessorato/ Department	Office/ Area	Date
1) Giuseppe Morale	General Manager	Infrastructure Intervention in Agriculture		04/07/2005
2) Giovanni Geraci	Manager	Programming Department	Local Development	28/06/2005
3) Francesca Marino	Manager	Programming Department	Informatics system, coordination, monitoring and communication	27/06/2005
4) Milena Ribaudò	Manager	Programming Department	Local Development	28/06/2005
5) Giuseppe Scorciapino	Manager	Programming Department	Coordination and technical assistance	27/06/2005
6) Gabriella Palocci	General Manager of MA	Programming Department		27/06/2005
7) Emanuele Villa	Manager	Programming Department	Human Resources and Research	29/06/2005

III

The above list of people also filled out the questionnaire

List of people who submitted the questionnaire between the 28th of June 2005 and the 10th of July 2005.

A. Political role

Name	Role	Assessorato/ Department	Office/ Area	Date
1) Francesco Cascio	Assessore	Territory and Environment		04/07/2005

B. Administrative Area

B1. Managers:

Name	Role	Assessorato/ Department	Office/ Area	Date
1) Antonino Lumia	General Manager	Cultural Resources		29/06/2005
2) Daniela Mazzarella	Manager	Cultural Resources	Estates and Property	29/06/2005
3) Giuseppe Incardona	General Manager	Industry		29/06/2005
4) Giuseppe di Gaudio	Manager	Industry	Entrepreneurship Promotion	29/06/2005
5) Osvaldo La Rosa	Manager	Programming Department	Evaluation Unit	28/06/2005
6) Rodolfo Casarubea	General Manager	Public Works		29/06/2005
7) Calogero Fazio	Manager	Public Works	Water Resources	29/06/2005
8) Antonio Grasso	Manager	Transport		28/06/2005

B2. Civil servants:

Name	Role	Assessorato/ Department	Office/ Area	Date
1) Lucia Callace	Civil Servant	Programming Department		30/06/2005
2) Benedetto Caorradino	Civil Servant	Programming Department	Local Development	30/06/2005
3) Giovanna Fiore	Civil Servant	Programming Department	Human Resources	30/06/2005
4) Silvio di Giorgio	Civil Servant	Programming Department	Area of coordination and technical assistance	30/06/2005
5) Salvatore Milazzo	Civil Servant	Programming Department		30/06/2005
6) Maria Cristina Patti	Civil Servant	Programming Department	Area of Monitoring and regional organization for structural fund	28/06/2005

			management.	
7) Massimo Piccione	Civil Servant	Programming Department	Area of informatics system, coordination, monitoring and communication	30/06/2005
8) Anna Maria Renna	Civil Servant	Programming Department		28/06/2005
9) Guido Speciale	Civil Servant	Programming Department	Secretariat of the Monitoring Committee	26/06/2005
10) Gaetano Cimò	Civil Servant	Structural Intervention in Agriculture	Area of Programming and Coordination	28/06/2005

PART II. Fieldwork carried out in Basilicata

List of people interviewed

A recorded interview of almost 1 hour was conducted with the following people between the 5th of June and the 30th of June 2006:

A. Political role

Name	Role	Assessorato/ Department	Office/ Area	Date
1) Rocco Colangelo	Assessore	Health and Social Policy		14/06/2006
2) Gaetano Fierro	Assessore	Agriculture and Rural Development		14/06/2006

B. Administrative area:

B1. General managers and managers:

Name	Role	Assessorato/ Department	Office/Area	Date
1) Maria Teresa Lavieri	General Manger of the MA	Cabinet of Presidency (<i>Presidenza della Giunta</i>)	Office for European Policy and Programme (<i>Struttura di Staff Politiche e Programmi Comunitari</i>)	07/06/2006
2) Giuseppe Montagano	General Manger	Health and social Policy		05/06/2006
3) Adriano Abiusi	Manager	Health and social Policy	Office for promoting social economy and development of social and health services	05/06/2006
4) Andrea Freschi	General Manager	Territory and Environment		07/06/2006
5) Aniello Vietro	General Manager	Infrastructures and Public works		13/06/2006
6) Ernesto Mancino	Manager	Infrastructures and Public works	Building trade	13/06/2006
7) Rocco Cutro	Manager	Infrastructures and Public works	Infrastructure	13/06/06
8) Rocco Rosa	General Manager	Agriculture and Rural Development		06/06/2006
9) Angelo Di Mauro	Manager	Agriculture and Rural Development	Agriculture and Rural Development Policy	06/06/2006
10) Francesco Pesce	Manager	Agriculture and Rural Development	Natural Resources	13/06/2006

11) Giuseppe D'Agrosa	Manager	Agriculture and Rural Development	Quality and Services	06/06/2006
12) Antonio Amato	Manager	Agriculture and Rural Development	Monitoring system for EAGGF	14/06/2006
13) Giuseppe Esposito	General Manager	Policy for enterprises		08/06/2006
14) Emilio Libutti	Manager	Policy for enterprises	Internationalisation, Research and Technology Innovation	08/06/2006
15) Lorenzo Affinito	Manager	Policy for enterprises	Industry and manufactory sector	09/06/2006
16) Gerardo Calvello	General Manager	Training, Culture and Sport		12/06/2006
17) Parrella Francesco	Manager	Training, Culture and Sport	Training and Territory	14/06/2006

B2. Civil Servants:

Name	Role	Assessorato/ Department	Office/Area	Date
1) Chiara Diana	Civil Servant	Cabinet of Presidency	Office for European Policy and Programme	09/06/2006
2) Luisa Lomio	Civil Servant	Cabinet of Presidency	Monitoring system for ERDF	14/06/2006
3) Franco Giorgio	Civil Servant	Training, Culture and Sport	Monitoring system for ESF	14/06/2006
4) Salvatore Panzanaro	Civil Servant			08/06/2006
5) Michele Recine	Civil Servant			08/06/2006
6) Giuseppe Bernardo	Civil Servant			08/06/2006
7) Donato Pafundi	Civil Servant	Cabinet of Presidency	Information Society	08/06/2006

The above list of people also filled out the questionnaire

List of people who submitted the questionnaire between the 5th of June 2006 and the 16th of June 2006

A. Administrative Area

A1. Managers:

Name	Role	Assessorato/ Department	Office/Area	Date
1) Luigi Gianfranceschi	Manager	Territory and Environment	Water Supply	12/06/2006
2) Rosa	Manager	Territory and	Territory protection	15/06/2006

Pietragalla		Environment		
3) Nicola Vignola	Manager	Territory and Environment	Environment protection	07/06/2006
4) Antonio D'Ottavio	Manager	Territory and Environment	Nature protection	
5) Rocco De Canio	Manager	Agriculture and Rural Development	Vegetable production	05/06/2006
6) Gaetano Giordano	Manager	Agriculture and Rural Development	Aids	08/06/2006
7) Giuseppe Eligiato	Manager	Agriculture and Rural Development	Services of Rural community	15/06/2006
8) Rocco Frontuto	Manager	Policy for enterprises	Energy	13/06/2006
9) Carmela M. Panetta	Manager	Policy for enterprises	Aids	13/06/2006
10) Renata Falcinelli	Manager	Training, Culture and Sport	Postgraduate training	13/06/2006

A2. Civil servants:

Name	Role	Assessorato/ Department	Office/Role	Date
1) Michele Claps	Civil servant	Cabinet of Presidency	Office for European Policy and Programme	07/06/2006
2) Maurizio Campagna	Civil servant	Cabinet of Presidency	Office for European Policy and Programme	25/05/2006
3) Angela Carissimi	Civil servant	Cabinet of Presidency	Office for European Policy and Programme	13/06/2006
4) Maria Rosaria Picciano	Civil servant	Cabinet of Presidency	Office for European Policy and Programme	01/06/2006
5) Carmela Pietrafesa	Civil servant	Cabinet of Presidency	Office for European Policy and Programme	

PART III. Interviews with key actors external to both regions

Name	Role	Organization	Date
1) Fabrizio Barca	Head of Department	Dipartimento Politiche di Sviluppo e Coesione (DPS - Department for Development and cohesion Policies)	20/01/2005
2) Laura Tagle	Economist	Dipartimento Politiche di Sviluppo e Coesione	20/01/2005
3) Paola Casavola	Economist	Dipartimento Politiche di Sviluppo e Coesione	20/01/2005
4) Laura Raimondo	Economist	Dipartimento Politiche di Sviluppo e Coesione	20/01/2005
5) Tito Bianchi	Economist	Dipartimento Politiche di Sviluppo e Coesione	20/01/2005
6) Simona De Luca	Economist	Dipartimento Politiche di Sviluppo e Coesione	20/01/2005
7) Francesco Sbattella	Senior Consultant	Ernst & Young	17/04/2005
8) Antonella Scotese	Junior Consultant	Ernst & Young	17/04/2005

Annex II

Questionnaire

By *Simona Milio*
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London School of Economics and Political Science
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WC2A 2AE Londra
Gran Bretagna

The following questionnaire aims to collect your opinion on the regional administrative capacity related to the Structural Funds (SF) implementation, in order to collect as much information as possible to assess four administrative key actions: management, programming, monitoring and evaluation

The questionnaire is divided in three parts:

- 1) PART I aims at assessing SF management and the separation of political and administrative powers;
- 2) PART II focuses on the features of SF programming and political stability;
- 3) PART III tackles SF monitoring and evaluations in relation to political accountability.

Mark with a cross the box which correspond to your answer

NAME.....

SURNAME.....

POSITION.....

DATE

PART I

Section A. The questions aim to understand the clarity of role among personnel and degree of coordination among the various departments.

Section B. The questions aim to establish whether there is a relationship between the management of SF and the separation of responsibilities among the political and the administrative class.

Section A. SF Management: clarity of role among personnel and coordination among departments.

1) How would you define the coordination activity implemented by the Managing Authority (MA) ?

a) Excellent	
b) Satisfactory	
c) Unsatisfactory	

2) Which are the major obstacle faced by the MA in managing the SF ?

a) Political class resistance and/or interference	
b) Weak coordination among the different <i>assessorati</i>	
c) Resistance with in the various departments.	

3) Does the MA carry out an efficient activity of horizontal coordination?

yes	
not enough	
no	

4) How would you define the vertical hierarchy in your regional government?

a) strong	
b) weak	
c) there is not vertical hierarchy	

5) Do you think that the vertical hierarchy are an impediment to the correct horizontal coordination of activities?

a) yes	
b) no	

6) Do you think that there is clarity of role between the different *assessorati* and within the councillorship as far as concern SF?

a) Yes. The role are clearly divided.	
b) There is not enough clarity in the division of roles	
c) There is not division of role and this causes that the work is	

duplicated	
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7) The different *assessorati* involved work....:

a)in a coordinated fashion between each other	
b)in an isolated way	
c)independently one from the other	

8) Is the MA structured and organized in order to carry out its duties?

a) Yes, it is fully structured	
b) Partially, it still need improvement	
c) No, it is not adequately structured	

9) Is the number and quality of the MA staff adequate to carry out the MA duties as listed in art.34 Council Reg 1260/99?

a) Yes, the number and quality of staff is adequate	
b) No, the number and quality of staff is not adequate	
c) Partially, the number of staff is not adequate	
d) Partially, the quality of staff is not adequate	

10) The physical location and the financial resources of the MA are adequate to fulfil its goals?

a) Yes, the physical location and the financial resources are adequate	
b) No, the physical location and the financial resources are not adequate	
c) Partially, the physical location is not adequate	
d) Partially, the financial resources are not adequate	

11) Does the MA work in consultation with the socioeconomic partners?

a) Yes	
b) Not frequently	
c) Not at all	

12) Does the MA work in consultation with the local authorities?

a) Yes	
b) Not frequently	
c) Not at all	

13) Does the MA work in consultation with the national level?

a) Yes	
b) Not frequently	
c) Not at all	

14) Does the MA work in consultation with the European level?

a) Yes	
b) Not frequently	
c) Not at all	

Section B. Separation of responsibilities and powers between the political and administrative class (i.e. Regional Law L.R. 12/1996 in Basilicata and Regional Law 10/2001 in Sicily)

1) How would you define the interaction/relation between the MA and the political class?

a) Collaborative with respect of each other roles	
b) In contrast	
c) There are major interferences by the political level in the MA role	

2) Has the separation of powers between the political and the administrative sphere had any impact on the SF management?

a) Yes, it has had a positive impact	
b) No it has had a negative impact	
c) It did not have any impact	

3) Before Regional Law (12/1996 Basilicata or 10/2001 Sicily) the weight of political power in SF management was...

a)strong and more influential than the administrative power.	
b)in equilibrium with the administrative power	
c)weak compared to the administrative power	

4) Which level is more adequate for managing the SF?

a) The administrative level	
b) The political level	
c) A balanced collaboration between the two levels	

5) Although the formalized separation of powers, it is still there a political interference in SF management?

Yes, there still is a strong political interference	
Political interference is quite limited	
There is not any political interference	

PART II

Section A. The questions aim to understand the characteristic of the programme design and the timing of the programme approval.

Section B. The questions aim to establish whether there is a relationship between the programming of SF and the government stability.

Section A. SF programming design and approval

1) Which are the major limits of multiannual SF programming in your region?

a) Lack of flexibility in order to adapt to socioeconomic contest changes	
b) Weak strategic coherence with ordinary programming	
c) Delays in approving implementation procedure	

2) Is regional planning integrated and coherent with the national contest?

a) Yes	
b) No	
c) Partially	

3) Is regional planning integrated and coherent with the European Commission Guidelines?

a) Yes	
b) No	
c) Partially	

4) The allocation of the resources among the different priorities is....

a) substantial with the needs of the regional territory	
b)....determined by political issues which not always take in account the real territory needs	
c)....not responding to the territory needs due to a lack of capacity in among those who are in charge of programming	

5) The number of measures in which he programme is divided are...

a) ...too many and the programme is extremely fragmented	
b) ...few and not enough to face the territorial needs	
c) ...enough to answer the territorial needs	
d) ...independently from the number they are inadeguate to answer the territorial needs	

6) Are the measures described so to clearly identify the actors involved and the project required?

a) Yes the measures are clearly described	
b) No, the measures are not clearly described and do not identify the actors and project involved.	

7) The four SF are.....

a)planned in a coordinated and synergic fashion among each other	
b)planned in a independent and not coordinated	

8) What is the main cause that account for the delay in the approval of the Regional Operative Programme (ROP)?

a) Government instability	
b) Lack of clarity in the procedures	
c) Other (specify)	

Section B. Government stability

1) Government instability produces an effect on SF programming that is:

a) negative	
b) positive	
c) indifferent	

2) Government stability influences....

a)the strategic coherence of the programme	
b)the availability of the budget to be allocated to the programme	
c)the continuity of the programme	

PART III

Section A. The questions aim to understand the degree of monitoring and evaluation in terms of availability of data, functioning of system and spreading on evaluation culture.
 Section B. The questions aim to establish whether there is a relationship between the monitoring /evaluation of SF and the political accountability

Section A. Monitoring and Evaluation of SF

1) The prior objective of the ROP are....

a)specifics and quantifiable	
b)difficult to assess because of they are not specific or quantifiable	

2) Is an adequate system of monitoring indicators and procedure been introduced in the region, in order to monitor the ROP results?

a) Yes, it has been introduce at the beginning of the planning period	
---	--

b) Yes, it has been introduced but with strong delays and it is still in phase of running in	
c) The system of indicators and procedure is not adequate to monitor the ROP results	

3) Does the monitoring system guarantee availability of financial, physical and procedural data updated?

a) Yes, the data are constantly updated	
b) The data are partially updated with delays	
c) No, most of the data are not available	

4) The procedures and structures which are in charge of monitoring are.....

a) Adequate	
b) Adequate but still need to be improved	
c) Inadequate	

5) The procedures and structures which are in charge of evaluating are.....

a) Adequate	
b) Adequate but still need to be improved	
c) Inadequate	

6) Is the culture of evaluation spreading within the regional government?

a) yes	
b) slowly and partially	
c) no	

7) The Monitoring Committee should guarantee that all the actors involved in the SF can monitor the progress of the ROP. Is this the case?

a) Yes	
b) No	
c) Partially	

8) Is the staff that carries out the activities of monitoring and evaluating adequate for the tasks?

a) Yes	
b) No	
c) Partially	

9) Have the recommendation of the intermediate evaluation been implemented?

a) Yes	
b) No	
c) Partially	

10) Is there a link between the Structural Funds implementation and the trend of the regional economy – i.e. GDP growth, unemployment reduction?

a) Yes	
b) No	
c) Partially	x

Section B. Political Accountability

1) Is the improvement of monitoring and evaluation activity related to the political will?

a) Yes	
b) No	
c) Partially	

2) Is the political class open to support the practice of monitoring and evaluating?

a) Yes	
b) No	
c) Partially	

3) Has the political class propelled or impeded the diffusion of evaluation culture?

a) The political class has propelled the diffusion of evaluation culture	
b) The political class has impeded the diffusion of evaluation culture	
c) The political class has not propelled or impeded the diffusion of evaluation culture	

4) How would you define the perception by the political class of the practice of monitoring and evaluation?

a) ... a useful instrument to improve their activities	
b)an obstacle for their activities	
c)neither an obstacle or an instrument for their activities	

Annex III

Interview Guide

By Simona Milio
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The following interview guide aims to collect your opinion on the regional administrative capacity related to the Structural Funds (SF) implementation, in order to collect as much information as possible to assess four administrative key actions: management, programming, monitoring and evaluation

The interview guide is divided in three parts:

- 1) PART I aims at assessing SF management and the separation of political and administrative powers;
- 2) PART II focuses on the features of SF programming and political stability;
- 3) PART III tackles SF monitoring and evaluations in relation to political accountability.

NAME.....

SURNAME.....

POSITION.....

DATE

PART I

Section A. The questions aim to understand the clarity of role among personnel and degree of coordination among the various departments.

Section B. The questions aim to establish whether there is a relationship between the management of SF and the separation of responsibilities among the political and the administrative class.

Section A. SF Management: clarity of role among personnel and coordination among departments.

- 1) At the beginning of the 1989/1993 period, the Region dealt for the first time with novel financing instruments –i.e. Structural Funds. How did the regional administration organized the management of the SF? Who was responsible for the MA?
- 2) Which have been the major change of the MA over the three planning periods?
- 3) Which have been the major difficulties faced by the MA and how they have been solved?
- 4) How did the coordination activity carried out by the MA changed over time?
- 5) How would you define the coordination activity implemented by the MA?
- 6) Does the MA carry out an efficient activity of horizontal coordination – i.e. among different department and *assessorati*?
- 7) Do you think that the vertical hierarchy are an impediment to the correct horizontal coordination of activities?
- 8) Do you think that there is clarity of role between the different councillorships and within the councillorship as far as concern SF? Do you think that there is clarity of role among the personnel?
- 9) Do you think that the dimension of a regional government in terms of number of departments and *assessorati* has an influence on the SF management?

Section B. Separation of responsibilities and powers between the political and administrative class (i.e. Regional Law L.R. 12/1996 in Basilicata and Regionl Law 10/2001 in Sicily)

- 1) How would you define the interaction/relation between the MA and the political class?

2) Has the separation of powers between the political and the administrative sphere had any impact on the SF management?

3) How would you define the weight of political power on SF management before the Regional Law that formally separated it (12/1996 Basilicata or 10/2001 Sicily)?

4) After the mentioned Regional Law the administrative responsibilities have increased? Which level is more adequate for managing the SF?

5) Although the formalized separation of powers, it is still there a political interference in SF management?

PART II

Section A. The questions aim to understand the characteristic of the programme design and the timing of the programme approval.

Section B. The questions aim to establish whether there is a relationship between the programming of SF and the government stability.

Section A. SF programming design and approval

1) Which were the features of the SF programming over the period 1989/1993? Was the programme supported by a SWOT analysis? Are there previous experiences, which have supported the regional administration in learning the multiannual planning approach introduced by SF?

2) How has the programming capacity evolved over the three different periods 1989/1993, 1994/1999, 2000/2006?

3) Do you think that the regional planning is integrated with the territory and coherent over the length of the years?

4) At the same time, do you think the programming activities are flexible enough to capture eventual structural changes?

5) Which are the major limits of multiannual SF programming in your region?

6) In your opinion the allocation of the resources among the different priorities is substantial with the needs of the regional territory or it is determined by political issues which not always take in account the real territory needs?

7) Do you judge the number of measures in which the programme is divided too many and the programme is extremely fragmented or enough to answer the territorial needs

8) In your opinion the four SF are planned in a coordinated and synergic fashion among each other or they act separately from each other?

9) What is the main cause that account for the delay in the approval of the Regional Operative Programme (ROP)?

Section B. Government stability

1) Do you think that government stability produces an effect on SF programming? What kind of effect?

2) Which are the major problems in terms of SF programming related to eventual changes of government?

3) In you opinion, is the programme coherence strictly related to the government stability and continuity?

PART III

Section A. The questions aim to understand the degree of monitoring and evaluation in terms of availability of data, functioning of system and spreading on evaluation culture.

Section B. The questions aim to establish whether there is a relationship between the monitoring /evaluation of SF and the political accountability

Section A. Monitoring and Evaluation of SF

1) How the monitoring system has evolved during the three planning periods?

2) Which have been the major difficulties encountered in the set up of a monitoring system?

3) Have an adequate system of monitoring indicators and procedures been introduced? If yes, which one?

4) Does the monitoring system guarantee availability of financial, physical and procedural data updated?

5) Which are the internal structures/offices in charge of monitoring? Are these latter adequate?

6) Each planning period should be supported by an ex-ante, ex-post and intermediate evaluation. Have these report been produced accordingly?

7) Which are the internal structures/offices in charge of evaluation? Are these latter adequate?

8) Is the culture of evaluation spreading within the regional government?

9) Have the recommendation of the intermediate evaluation been implemented?

10) Is there a link between the Structural Funds implementation and the trend of the regional economy – i.e. GDP growth, unemployment reduction?

Section B. Political Accountability

1) In your opinion, is the political class accountable?

2) Are there adequate procedure in place to ensure political accountability?

3) In your opinion the degree of political accountability is related to the instability of the government

4) Is the improvement of monitoring and evaluation activity related to the political will?

5) Is the political class open to support the practice of monitoring and evaluating?

6) Has the political class propelled or impeded the diffusion of evaluation culture?

7) How would you define the perception by the political class of the practice of monitoring and evaluation?

Annex IV

Italian Governments 1946-2006

Years of the Republic: 56 years

Government: 57

Average of government per year: 0.9

Shortest government: Andreotti (1972), 9 days

Longest government: Craxi (1983), 1058 days

Days of government: 17741

Days of government crisis: 1693 (4.6 years)

Government under provisional law

1. Government Parri (21.06.1945 - 8.12.1945); Political coalition: DC, PCI, PSIUP, PLI, DL, Partito d'Azione; 157 days; Crisis: 3days

2. Government De Gasperi (10.12.1945 - 1.07.1946); Political coalition: DC, PCI, PSI, PLI, DL, Partito d'Azione; Lasted: 203 days; Crisis: 12 days

First Government officially Republican after the election of the 2nd of June 1946.

1. Government De Gasperi (13.07.1946 - 20.01.1947); Political coalition: DC, PCI, PSI, PRI; Lasted: 191days.; Crisis: 13days.

2. Government De Gasperi (2.02.1947 - 13.05.1947); Political coalition: DC, PCI, PSI; Lasted: 100days.; Crisis: 18

3. Government De Gasperi (31.05.1947 - 12.05.1948); Political coalition: DC, PLI, PSLI, PRI; Lasted: 347days.; Crisis: 11days.

Beginning of first legislature after the election of the 8th of May 1948.

I Legislature (8 may 1948 - 24 june 1953)

4. Government De Gasperi (23.05.1948 - 12.01.1950); Political coalition: DC, PLI, PSLI, PRI; Lasted: 599days.; Crisis: 15days.

5. Government De Gasperi (27.01.1950 - 16.07.1951); Political coalition: DC, PSLI, PRI; Lasted: 535days.; Crisis: 10days.

6. Government De Gasperi (26.07.1951 - 29.06.1953); Political coalition: DC, PRI; Lasted: 704days.; Crisis: 17days.

II Legislature (25 june 1953 - 11 june 1958)

7. Government De Gasperi (16.07.1953 - 28.07.1953); Political coalition: DC; Lasted: 12days.; Crisis: 20days.

8. Government Pella (17.08.1953 - 5.01.1954); Political coalition: DC; Lasted: 141days.; Crisis: 13days.

9. Government Fanfani (18.01.1954 - 30.01.1954); Political coalition: DC; Lasted: 12days.; Crisis: 1days.

10. Government Scelba (10.02.1954 - 22.06.1955); Political coalition: DC, PSDI, PLI; Lasted : 497days.; Crisis: 14days.

- 11. Government Segni (6.07.1955 - 6.05.1957); Political coalition: DC, PSDI, PLI; Lasted: 670days.; Crisis: 13days.
- 12. Government Zoli (19.05.1957 - 19.06.1958); Political coalition: DC; Lasted: 396days.; Crisis: 12days.

III Legislature (12 june 1958 - 15 may1963)

- 13. Government Fanfani (1.07.1958 - 26.01.1959); Political coalition: DC, PSDI; Lasted: 209days.; Crisis: 20days.
- 14. Government Segni (15.02.1959 - 24.02.1960); Political coalition: DC; Lasted: 374days.; Crisis: 30days.
- 15. Government Tambroni (25.03.1960 - 19.07.1960); Political coalition: DC; Lasted: 116days.; Crisis: 7days.
- 16. Government Fanfani (26.07.1960 - 2.02.1962); Political coalition: DC; Lasted: 556days.; Crisis: 19days.
- 17. Government Fanfani (21.02.1962 - 16.05.1963); Political coalition: DC, PSDI, PRI; Lasted: 449days.; Crisis: 36days.

IV Legislature (16 may 1963 - 14 may 1968)

- 18. Government Leone (21.06.1963 - 5.11.1963); Political coalition: DC; Lasted: 137days.; Crisis: 29days.
- 19. Government Moro (4.12.1963 - 26.06.1964); Political coalition: DC,PSI, PSDI, PRI; Lasted: 205days.; Crisis: 26days.
- 20. Government Moro (22.07.1964 - 21.01.1966); Political coalition: DC,PSI, PSDI, PRI; Lasted: 548days.; Crisis: 33days.
- 21. Government Moro (23.02.1966 - 5.06.1968); Political coalition: DC,PSI, PSDI, PRI; lasted: 833days.; Crisis: 19days.

V Legislature (5 june 1968 - 24 may 1972)

- 22. Government Leone (24.06.1968 - 19.11.1968); Political coalition: DC; Lasted: 148days.; Crisis: 23days.
- 23. Government Rumor (12.12.1968 - 5.07.1969); Political coalition: DC, PSU, PRI; Lasted: 205days.; Crisis: 31days.
- 24. Government Rumor (5.08.1969 - 7.02.1970); Political coalition: DC; Lasted: 186days.; Crisis: 48days.
- 25. Government Rumor (27.03.1970 - 6.07.1970); Political coalition: DC, PSI, PSDI, PRI; Lasted: 101days.; Crisis: 31days.
- 26. Government Colombo (6.08.1970 - 15.01.1972); Political coalition: DC, PSI, PSDI, PRI; Lasted: 527days.; Crisis: 33days.
- 27. Government Andreotti (17.02.1972 - 26.02.1972); Political coalition: DC; Lasted: 9days.; Crisis: 121days.

VI Legislature (25 may 1972 - 4 july1976)

- 28. Government Andreotti (26.06.1972 - 12.06.1973); Political coalition: DC, PSDI, PLI; Lasted: 351days.; Crisis: 25days.
- 29. Government Rumor (7.07.1973 - 2.03.1974); Political coalition: DC, PSI, PSDI, PRI; Lasted: 230days.; Crisis: 12days.
- 30. Government Rumor (14.03.1974 - 3.10.1974); Political coalition: DC, PSI, PSDI; Lasted: 203days.; Crisis: 51days.
- 31. Government Moro (23.11.1974 - 7.01.1976); Political coalition: DC; Lasted: 410days.; Crisis: 36days.

32. Government Moro (12.02.1976 - 30.04.1976); Political coalition: DC; Lasted: 78days.; Crisis: 90days.

VII Legislature (5 july 1976 - 19 june1979)

33. Government Andreotti (29.07.1976 - 16.01.1978); Political coalition: DC; Lasted: 536days.; Crisis: 54days.

34. Government Andreotti (11.03.1978 - 31.01.1979); Political coalition: DC; Lasted: 326days.; Crisis: 48days.

35. Government Andreotti (20.03.1979 - 31.03.1979); Political coalition: DC, PRI, PSDI; Lasted: 11days.; Crisis: 126days.

VIII Legislature (20 june 1979 - 11 july 1983)

36. Government Cossiga (4.08.1979 - 19.03.1980); Political coalition: DC, PLI, PSDI; Lasted: 228days.; Crisis: 16days.

37. Government Cossiga (4.04.1980 - 27.09.1980); Political coalition: DC, PSI, PRI; Lasted: 176days.; Crisis: 21days.

38. Government Forlani (18.10.1980 - 26.05.1981); Political coalition: DC, PSI, PSDI, PRI; Lasted: 220days.; Crisis: 33days.

39. Government Spadolini (28.06.1981 - 7.08.1982) Political coalition: DC, PSI, PSDI, PRI, PLI; Lasted: 405days.; Crisis: 16days.

40. Government Spadolini (23.08.1982 - 13.11.1982); Political coalition: DC, PSI, PSDI, PRI, PLI; Lasted: 82days.; Crisis: 18days.

41. Government Fanfani (1.12.1982 - 29.04.1983); Political coalition: DC, PSI, PSDI, PLI; Lasted: 149days.; Crisis: 97days.

IX Legislature (12 july 1983 - 1° july 1987)

42. Government Craxi (4.08.1983 - 27.06.1986); Political coalition: DC, PSI, PSDI, PRI, PLI; Lasted: 1058days.; Crisis: 34days.

43. Government Craxi (1.08.1986 - 3.03.1987); Political coalition: DC, PSI, PSDI, PRI, PLI; Lasted: 214days.; Crisis: 45days.

44. Government Fanfani (17.04.1987 - 28.04.1987); Political coalition: DC, Indipendenti; Lasted: 11days.; Crisis: 91days.

X Legislature (2 july 1987 - 22 aprile 1992)

45. Government Goria (28.07.1987 - 11.03.1988); Political coalition: DC, PSI, PSDI, PRI, PLI; Lasted: 227days.; Crisis: 13days.

46. Government De Mita (13.04.1988 - 19.05.1989); Political coalition: DC, PSI, PSDI, PRI, PLI; Lasted: 401days.; Crisis: 64days.

47. Government Andreotti (22.07.1989 - 29.03.1991); Political coalition: DC, PSI, PSDI, PRI, PLI; Lasted: 615days.; Crisis: 14days.

48. Government Andreotti (12.04.1991 - 24.04.1992); Political coalition: DC, PSI, PSDI, PLI; Lasted: 378days.; Crisis: 65days.

XI Legislature (23 aprile 1992 - 14 aprile 1994)

49. Government Amato (28.06.1992 - 22.04.1993); Political coalition: DC, PSI, PSDI, PLI; Lasted: 298days.; Crisis: 6days.

50. Government Ciampi (28.04.1993 - 16.04.1994); Political coalition: DC, PSI, PSDI, PLI; Lasted: 353days.; Crisis: 24days.

XII Legislature (15 aprile 1994 - 8 may 1996)

51. Government Berlusconi (10.05.1994 - 22.12.1994); Political coalition: FI, LN, AN, CCD, UDC; Lasted: 226days.; Crisis: 26days.

52. Government Dini (17.01.1995 - 17.05.1996); Political coalition: Indipendenti; Lasted: 486days.

XIII Legislature (9 may 1996 - 29 may 2001)

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