EUROPEAN UNIVERSITY INSTITUTE
Department of Political and Social Sciences

TRANSNATIONAL INSTITUTION BUILDING FOR LOCAL DEVELOPMENT: THE CASE OF EUROPEAN UNION COHESION POLICY IN IRELAND AND SARDINIA

by
Claire Marie O'Neill

Thesis submitted for assessment with
a view to obtaining the Degree of Doctor of the
European University Institute

Florence, April 2005

B/C →

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Abstract

This thesis explores transnational institution building for local development through the prism of European Union Cohesion Policy in two Objective 1 regions, Ireland and Sardinia. It is essentially concerned with examining how Cohesion Policy affects institutions. The theoretical tools of institutionalism and Europeanisation are employed in order to build a framework. The development of Cohesion Policy is appraised and the increasing importance of local (as opposed to regional) development is established. For analytical purposes, its division into programming periods is embraced: a first period from 1989-1993 and a second from 1994-1999. Policy misfit was established in both empirical cases in the run up to and during the first programming period in which outcomes already begin to differ: Irish pragmatic adaptation contrasts with Sardinian failure to comprehend Cohesion Policy tenets. In the second period of programming outcomes continue to differ: Ireland seems to demonstrate a move towards transformation whereas Sardinia is only beginning to come to terms with Cohesion Policy – just as funds are about to dry up. The main factors affecting Cohesion Policy's ability to influence institutions are: salience of the policy in the case-study; proximity to power; orientation of policy or problem-solving (performance versus procedure); degree of local imprint on experimentation; space accorded for creativity; leadership and its attitudes to policy; and the strength of local institutions.

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Introduction

This thesis presents an analysis of the difficulties of building institutions and making them effective in the context of the delivery system of the European Union's Cohesion Policy. Cohesion Policy is a transnational policy of considerable importance - it accounts for approximately one third of the budget for Community policies and almost 0.5 per cent of annual EU GDP. It was chosen because it is divided along development problem types as opposed to according to member states and thus enables us to examine the same policy in two different national contexts. Furthermore, as we shall see further on, the European Commission specifically equipped Cohesion Policy with institutional-building capacities, in particular through the introduction of the concept of partnership. Cohesion Policy refers to the EU's regional/structural policy, the instruments of which are the Structural Funds.[1]

Here the concern is with how the European Commission has sought to build institutions in Objective 1 regions. It has sought to do this in order to promote its goal of inclusion/partnership/participation, subsidiarity and decentralisation, and in order to make Cohesion Policy more than a mechanism for inter-state transfers or payoffs to the poorer member states for the single market and Economic and Monetary Union. This becomes clear when we look at how the European Commission countered the shift in favour of state control with the Treaty on European Union by linking employment – a primary EU policy concern – with local development, involving an even more complex array of actors. Moreover, such a strategy explains how the EU's institution building is both a cause and an effect of its desire to include sub-national actors with which it can ally in order to increase its own influence.

Cohesion Policy not only operates according to these principles however, it also has a prescribed *modus operandi* for programming resources, implementing programmes, financial control, monitoring and evaluation, its so-called delivery system. This delivery system does not reflect the variety of possible implementation strategies inherent in a collectivity such as the EU, where institutional arrangements differ enormously from one

[1] The Structural Funds are made up of the European Regional Development Fund (ERDF), the European Social Fund (ESF), the guidance section of the European Agriculture Guidance and Guarantee Fund (EAGGF or FEOGA) and the Financial Instrument for Fisheries Guidance (FIFG) and the Cohesion Fund. The Cohesion Fund is based on a project-financing approach while the four Structural Funds operate within a single Community-wide framework according to common principles.

member state to another – take federal Germany and centralised Ireland, for example. In fact, the European Commission usually seeks to use *programmed* strategies of implementation which attempt to ensure uniform and precise implementation and translate the European Commission's intentions into practice even at the cost of unresponsiveness to local conditions and uneven and slow implementation (McAleavey, 1995:190).[2] In other words, in seeking to develop strategic programmes, the European Commission tries to impose a fairly tightly designed response to the needs of a region (McAleavey, 1995:191). This tightly designed response imposed by the European Commission, *even at the cost of unresponsiveness of policy to local conditions*, is a form of institution building as regions must adapt to the delivery system of Cohesion Policy in formulating development policies rather than *vice versa*. This scenario emerges clearly in the cases studied in this thesis, Ireland and Sardinia, where the delivery system of Cohesion Policy has led to the creation of myriad committees, partnership bodies and even local development bodies.

This thesis is divided into three sections. The first section contains **Chapters 1** and **2**. **Chapter 1** provides a theoretical framework drawing heavily from new institutionalist literature across the social sciences. The degree to which institutions matter, how institutional change is engendered and the role of actors is explored through a review of the main literature. Differences in emphasis proffered by the different new institutionalist schools lead to a theoretical quagmire which is ably bridged by recent literature on Europeanisation. In fact, the latter may be employed as a means of understanding domestic institutional change in the EU. That the same environmental change (in this case Cohesion Policy) may provoke a different impact according to degrees of institutionalisation of organisations is explored drawing on the literature on Europeanisation which provides a useful lens with which to view domestic changes in the European Union. The chapter subsequently deals with different depictions of Cohesion Policy in the copious literature produced from the early 1990s to 1998 in order to better understand the institution building aspirations of the European Commission. The delivery system proper of Cohesion Policy is then presented and its various pillars are deciphered. Exogenous change is not independent of endogenous institutional factors and hence these must be at the basis of any hypotheses. Hypotheses are thus elaborated and cover domestic factors affecting institution building and change. Finally the research design is presented along with working questions and data sources. **Chapter 2** charts

[2] Programmed strategies contrast with adaptive strategies of implementation which, although taking into account the peculiarities of different member states, tend to generate considerable slippage from initial objectives (McAleavey, 1995:190).

the development of Cohesion Policy since its inception and constitutes an historical background. The development of Cohesion Policy has led to the emergence of several other factors that enhance the institution building capacity of the Commission. For example, within Cohesion Policy discourses and rhetoric, the shift in emphasis from 'regional' development in favour of 'local' development has extended the institution building capacity of Cohesion Policy at a sub-national level in member states to a sub-regional level. It elucidates how the various principles and programmes came into existence. Key moments in this history are the 1988 reform likened to a paradigm shift, and the shift from regional to local development in the late 1990s.

Section II ventures into domestic compatibility with Cohesion Policy's delivery system and seeks to establish the degree of 'misfit' before and during the first period of Cohesion Policy implementation which corresponds to the first programming period from 1988-1993. In **Chapter 1** we borrow the term policy misfit from the literature on Europeanisation to describe the discrepancies between Cohesion Policy and local development policy in the elected cases, Ireland and Sardinia. **Chapters 3** and **4** found that policy misfit obtained in both cases even though many of Cohesion Policy's ideas had previously existed on paper (the need for local involvement, partnership etc.) In sum, considerable, albeit different pressure for change existed in both cases and as can be expected, institutional responses also differed. In Ireland, due to the immediate saliency of Cohesion Policy, moves were made to fill the local institutional gap, bypassing local government, in order to be able to draw down structural funding. In Sardinia, Cohesion Policy became salient at a slower pace due to the existence of other sizeable funds provided by development policy for the Mezzogiorno. Attempts to reform existing institutions in order to implement Cohesion Policy ensued. But efforts to draw down structural funds were not as successful as in Ireland. **Chapter 3** outlines the Irish experience with territorial development policies prior to Cohesion Policy and its attempts to accommodate Cohesion Policy tenets subsequently. What emerges is significant misfit exemplified by the dearth of sub-national institutions and a significant departure from policy intentions and statements when implementing policy. The advent of Cohesion Policy witnessed massive interest in the Structural Funds and therefore a concerted drive to maximise funding by adapting. **Chapter 4** shows that in Sardinia too, a high degree of misfit was found especially in terms of implementation slippages. Interestingly the Integrated Mediterranean Programmes had provided a sort of trial of the new Cohesion Policy. However, due to an initial lack of interest with Cohesion Policy mainly because other (better funded, less complicated) development policies steered by the Italian central government were in operation, attempts to adapt were slow to emerge and when

they did they were characterised by failure to comprehend what the policy enabled and prohibited.

Section III examines how the case-studies coped with misfit during the second programming period and accommodated Cohesion Policy: **Chapter 5** treats of the creation of myriad new structures in Ireland and **Chapter 6** charts attempts to reform local institutions in Sardinia. In both cases institutional change came about in response to an exogenous element, Cohesion Policy. The Irish approach was more successful in terms of Cohesion Policy performance than Sardinia's. Thus, the upshot is that the European Commission has been more able to 'permeate', influence and ultimately build institutions in Ireland than in Sardinia. **Chapter 5** presents the Irish experience characterised by a drive to perform well due to the importance of the transfers inherent in Cohesion Policy. Much innovation resulted in this period with much spill over onto existing institutions. Ireland would appear to be heading towards some sort of transformation in terms of institution building. However, a few cynical exercises may jeopardise that experience. **Chapter 6** illustrates how first the Italian central government was slow to take actions to ensure effective implementation of Cohesion Policy and when it did, a very controlled experimentation period which paradoxically stifled innovation, ensued. Sardinian authorities were slow to come to terms also and the necessary institutional change was not engendered due to a lack of fundamental factors.

Finally, the **Section IV** brings together comparative empirical findings and theoretical approaches in order to explain institutional change. **Chapter 7** offers explanations for the degree of the European Commission's success in institution building at the local level in the case-studies. A state has more discretion than a region in inventing new laws and new organisational forms. Institutional change at the local level is largely due to permeability among institutions. The low degree of capacity of local government authorities as well as their weak institutionalisation in Ireland enabled the setting up organisational forms in the short-term to implement Cohesion Policy. These organisational forms generally came with a 'sell by' date. However, they gradually acquired a life of their own (through own resources and subsidiary actors) although they could not be described as being highly institutionalised. In fact, there has been little institutional underpinning or 'mainstreaming' although the proliferation of new bodies and their perceived success has led to the need to reform existing local institutions and 'rationalise' the local institutional fabric. The approach has been successful in terms of Cohesion Policy performance. Institutional change has evolved from experiments and central government has had a huge role.

In Sardinia, the approach to policy misfit has been characterised by incomprehension of or disinterest in Cohesion Policy at early stages followed by attempts to formally reform existing institutions and in some cases increase their roles notwithstanding their capacities, introducing formal institutional mechanisms in existing institutions that prescribe action in a legalistic framework. Cohesion Policy's organisational forms were introduced into existing institutions with much more difficulty. Legal and administrative changes involve material and political high costs which public authorities are reluctant to bear. Cohesion Policy's organisational forms have stirred a lame process of institutional reform, the results of which are slow to emerge. This approach has not been very successful. The implementation of Cohesion Policy encountered different problems at the local level, namely the presence of entrenched and bureaucratic institutions unable to deal with Cohesion Policy's organisational forms in the short-term. The high degree of institutionalisation and thus impermeability of these institutions blocked any kind of swift innovative response to Cohesion Policy. Institutional change has been prescribed and the role of the regional administration and that of central government is important. The thesis ends with a **Conclusion** to recap its main tenets.

SECTION I

FRAMEWORK AND CONTEXT

Chapter 1

Conceptual Framework: Institutions and Change

Introduction

Since the inception and within the operation of Cohesion Policy, the European Commission has consistently sought to involve sub-national actors irrespective of existing institutional structures, mainly in order to access information and resources.[3] This inclusion activity is a form of institution building, as the participation of sub-national actors often requires an institutional grounding. Since the Commission has no legal or constitutional right or power to directly or formally build or alter institutions or administrative structures, it has sought to do so indirectly and informally through the delivery system of Cohesion Policy. The delivery system of Cohesion Policy is made up of four principles. The principle of partnership is defined as "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 in pursuit of a common goal"[4]. This principle has often entailed institution building within member states as in some cases existing institutional arrangements for co-ordination, consultation etc. were lacking or inadequate. The other three principles, that is concentration (providing for the targeting of resources), programming (providing for mid-term planning) and additionality (meaning that EU resources must not substitute for national spending), also enabled the European Commission to involve sub-national actors and build institutions. In fact, the Commission has made significant advances on these four principles since they were introduced with the 1988 reform of the Structural Funds, as it "has been actively using Cohesion Policy to generate regional and local demands for greater cohesion and to provide them with an organisational underpinning" (Hooghe & Keating, 1994: 379).

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[3] This does not wish to imply that this is the only reason for European Commission institution building. This point is developed further on.

[4] Framework regulation EEC 2052/88 OJ L185 24/06/88.

Research Question

The central research question can thus be formulated as follows: *how are institutions built indirectly and what is the nature of transnational institution building when translated to the local level? In more general terms, what are the difficulties of building institutions indirectly and what are the difficulties of making institutions effective?* **Chapter 2** looks at how the European Commission has tried to build institutions and **Sections II** and **III** look at whether the exigencies of Cohesion Policy result in the creation of new or altered institutional arrangements at sub-national level as well as the nature of these arrangements. Whether for instance partnership is a "robust and adaptable means of implementation ... adaptable to all types of programme and to different national circumstances" (European Commission, 1999) will be explored. According to the European Commission, Cohesion Policy plays a role as a force for change and innovation and it empowers grassroots, making a contribution to the wider process of European integration (European Commission, 1999:93). Whether this obtains in our cases will be explored in **Sections II** and **III**.

Before the background of Cohesion Policy is presented in Chapter 2, this chapter sketches the theoretical orientation and research design. First, it considers the literature on institution building in the social sciences, especially the contributions offered by Europeanisation, and subsequently it contemplates the literature on Cohesion Policy. The main features of the delivery system of Cohesion Policy are then introduced followed by the formulation of hypotheses on the conditions for as well as potential obstacles to institution building. This chapter concludes with a presentation of the research design and method of the study. It is to institutional-building in the social sciences research that the chapter now turns.

Institution building in the social sciences

Most of the more recent work on institutions emanates from the new institutionalist paradigm developed in organisation theory and economics (Weaver & Rockman 1993). In political science, new institutionalism emerged as a criticism of behaviouralist, structuralist and system-theoretical approaches which ignored the particularities of political organisation. These approaches stress the politically relevant behaviour of the individual or power or interest structures as determinants of political decisions (Mayntz & Scharpf 1995:39-72). In essence, new institutionalism posits that public institutions

> "are not neutral in relation to the policies that they host. Public institutions matter, it is claimed by both the major contrary interpretations within the new institutionalism, namely the sociological version of institutions as more than the sum of their parts (holist version) and the economic version of institutions as

rational responses to individual interests and their aggregation into collective action (atomistic version)" (Lane 1993:168).

From the sociological perspective, March and Olsen (1984; 1989) hold that interests cannot be separated from institutions and institutions determine interests. Furthermore, they presuppose a more autonomous role for political institutions as they are not mere mirrors of social forces (1989:18). Within the economic strand of new institutionalism, problems of exchange, transaction costs and property rights are emphasised. From this perspective, institutions are not taken as given but they may be chosen in a rational way (by an institutional entrepreneur, for instance). This involves deliberating about the most appropriate rules for societal interaction patterns (Lane 1993:176). Clearly, sociological and economic new institutionalism differ from each other to a considerable extent. The differences essentially relate to the perception of the individual and rationality. Economic new institutionalism sees institutions as the result of a rational choice made by individuals for collective action purposes, whereas sociological new institutionalism postulates that institutions determine interests and considerably minimises the role of the individual. New institutionalists of all persuasions, however, agree that institutions matter. They also agree that institutions shape actors' identities, power and strategies to a certain extent. New institutionalism has been criticised, however.

Dowding (1994:107-109) criticises March and Olsen's new institutionalism in relation to three elements: the apparent anti-individualism; the autonomy of institutions which is, in fact, an automatic state thesis; and the concentration on process to the exclusion of outcome.[5] In relation to economic new institutionalism, Lane doubts whether institutions can be chosen rationally, as this implies that "somehow society arrives at the best solution despite all kinds of opportunistic behaviour" (Lane 1993:184). Eggertsson (1990) identifies the most serious weakness of new institutionalism in its lack of precise understanding of the relationship between formal and informal institutions and how informal institutions change over time.

Levi (1990) laments the fact that much of the extensive literature on institutions neglects defining the term. On the contrary, however, in the literature there are many, often conflicting, views on what constitutes institutions. North (1990a; 1990b) conceives of institutions as obligations to action, they are informal or formal humanly devised constraints that shape human interaction, producing a structure to everyday life (1990a:3-5). He holds that institutions "consist of informal constraints and formal rules

[5] Dowding is essentially concerned with demonstrating that new institutionalism is compatible with rational choice and behaviouralism (1994).

and of their enforcement characteristics" (1990b:384). They reduce transaction costs (the costs of making and sustaining a contract), but can also raise them. They constitute the rules of the game. North's definition embraces a juridical view of institutions. Further, he makes a conceptual distinction between institutions and organisations. Organisations[6] are defined as a "response to the institutional structure of societies" (North 1990b:396) and accordingly, as "agents of institutional change" (North 1990a:5). Lane concurs with this distinction and asserts that social outcomes depend on the institutions through which interaction takes place and not just the interests involved in collaboration and confrontation. Therefore, it is essential to distinguish conceptually between the institutions of a social system on the one hand, and the individual preferences or group interests that motivate people in the system on the other (Lane 1993:175-176). Parsons (1937) and Alford *et al.* (1985) define institutions as regulatory principles of action which is essentially a prescriptive view. Institutions are conceived of as persistent modes of behaviour - a structural view - by, inter alia, Weber (1922) and Meyer (1977). From a cognitive viewpoint, Berger (1967) and Rowe (1989) see institutions as constituent elements of social reality.[7] Hurwicz (1993: 51) makes a distinction between *institutional entity* which refers to organisational entities such as a bank or a state and *institutional arrangement* which refers to rules or behaviour patterns such as private property or representative democracy. He also summarises the important and related distinction between endogenously developed institutions and consciously created (designed) institutions and between viewing institutional arrangements as stable behaviour patterns and seeing them as sets of rules governing behaviour. He opts for denoting rules rather than behaviour as institutions as "from the point of view of policy choices and design it seems clear that it is the rules that are susceptible to conscious change, with the behaviour changes as a consequence" (Hurwicz 1993:58).

Lane describes the main problem with the definition of institutions inherent in new institutionalism,

> "is an institution a set of behaviour or a set of rules or maybe both? And would any set of behaviour or rules qualify as an institution?" (Lane 1993:171).

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[6] Organisations operate within an institutional environment made up of sets of rules, regulations and principles as well as institutionalised models of behaviour from which they glean principles for functioning (North 1990a).

[7] It is not necessary to recapitulate the different definitions of institutions in depth, as this has been done elsewhere. See Lane (1993) for a broad overview of new institutionalism and Lanzalaco (1995), who provides a useful typology of the different definitions from which I have drawn here. For an overview of new institutionalism in political science and sociology, see Koelble (1995). For a critical review of institutionalist research on the EU, see Dowding (2000).

Broad definitions of institutions restrict the scope for actor behaviour and are unable to account for changes in behaviour despite an unaltered institutional context. A narrower conception of institutions allows a distinction to be made between behaviour that is due to institutional regulation and behaviour that can be related to a specific actor (Mayntz & Scharpf 1995:39-72). It is to such a definition that this chapter now turns.

Defining terms: Institutions, institutionalisation and institution building

There are three defining and distinctive characteristics of the concept of institutions. First, differentiation/typifying of behaviour models and social relations. Whether institutions are seen as rules constraining action or norms that guide action, institution-building implies typifying certain social practices, and differentiating specific behaviour from other types of behaviour that are not prescribed or that are prescribed by other institutions. Institutionalisation marks the boundaries of the institutional domain, that is, it defines who is in and who is out.[8] Second, self-referential and ceremonial validation. Institutionalisation means relieving certain elements from efficacy (technical-instrumental) evaluations and entrusting them to institutional and ceremonial processes of evaluation. Third, depersonalisation. The institutionalisation of social relations means that they are independent of the discretion and subjectivity of individuals (collective unconscious customs) (Lanzalaco 1995).

Institutionalisation or institution building is defined as the process through which social relations and behaviour are differentiated from other models, have an intrinsic value (that is, rules that are legitimate *per se* and are adopted ceremoniously, independently of technical-instrumental processes and reasons for their formation), and are depersonalised, that is independent of individuals. Thus an institution can be defined as every social relation, behavioural model (procedure, form of collective action), value and social knowledge that has to a certain extent undergone a process of institutionalisation (Lanzalaco 1995:61).

The role of actors is also considered in the institutionalisation process: subsidiary actors are created whose function is to legitimise new institutions and mobilise resources necessary for the process of institutionalisation. Insofar as the institutionalisation process is successful, subsidiary actors undergo legitimation and institutionalisation which confers autonomy on these actors, whose interests may differ from the

[8] In relation to organisations, institutionalisation implies the acquisition of a distinctive identity with respect to others. In public policy analysis, institutionalisation of a policy area happens if it is distinct from other types of policy through the circumspection of a policy domain (Lanzalaco 1996).

institutional groups that control the inter-organisational field. Thus, they may seek to intervene in structuring processes representing an important element of change and innovation.

Rational choice institutionalists contend that for a given institutional change to be adopted, it is necessary that there be players who desire that particular institutional change, and secondly that they have the means to prevail (*assets*) - political power, personal charisma, financial clout. Hurwicz (1993) calls a player with motives and assets for effecting institutional change an *intervenor*[9] which may be an individual, an institutional entity, an organisation *etc.* When the intervenor's assets are strong enough relative to opponents, institutional change is likely to occur. The existence of a demand for institutional innovation will, of course, increase the probability of the intervenor's success. The intervenor also participates in enforcement. Using an intervenor helps explain why certain reform efforts change - either through lack of adequate 'assets' on the part of would-be reformers, or due to lack of clarity or intensity in their preferences for the relevant institutions. The presence of successful intervenors is helpful in effecting change and/or maintaining institutions (Hurwicz 1993: 62-3).

Institutional change: exogenous and endogenous variables

The interest herein is with *exogenous* institutional change or institution building effected by the European Commission in member state local development spheres, prodded by the intricacies of Cohesion Policy implementation. Exogenous, because Cohesion Policy is a supranational policy the tenets of which are essentially formulated by the European Commission. The most widespread explanations of institutional change refer to external institutional variables such as changes in resource allocation, changes in actor preferences or technological changes etc. that disturb the institutional balance and generate conditions in which the validity of consolidated rules, relations and behaviour models are questioned and new ones emerge. For economic institutionalists, change occurs if some actor (institutional entrepreneur) considers it convenient to invest resources to change institutions (North 1990a). Others (DiMaggio 1988) attribute change to political factors, that is, power distribution among actors. Changes in technological or environmental characteristics alter power relations among actors and thus those favoured by redistribution seek to renegotiate formal rules that regulate relations and stir processes of institutionalisation of those elements that legitimate their position. Both

[9] An intervenor is the same as a policy entrepreneur.

models attribute change to *exogenous factors* or shocks that are fundamental to prodding institutional change (Lanzalaco 1995).

The three resource dependency approaches (liberal intergovernmentalism, supranationalism and multilevel governance) contend that institutions change as a result of a redistribution of power resources which changes the dependencies among actors and restructures their relationships. Redistribution of resources results from the emergence of a new political opportunity structure, the EU, which provides some actors with new resources while depriving others (Börzel 2002:20). However, degree and outcome are contended. First, the liberal intergovernmental persuasion (Moravcsik 1993, Kohler-Koch 1996) conclude that national governments increase control over policy outcomes by transferring policy competencies to the European level. The result is increasing independence for national governments and a low impact on domestic institutions. Second, neo-functionalism and supranationalism (Marks 1992) posit a more significant impact on domestic institutions as domestic actors increase control over policy outcomes by bypassing national governments in European policy-making, and the state's role is progressively eroded. Third, multilevel governance literature (Kohler-Koch 1996) suggests a transformation of the state by increasing mutual dependence of actors on each other's resources, thereby leading to cooperative governance and chipping away at sovereignty, statehood etc. They agree on an outcome of some sort of convergence among member states leading to a strengthening, weakening or transformation of the state, even though empirical evidence for convergence is meagre (Börzel 2002:21). On the contrary, empirical variation in impact is rife and has not been accounted for by these three approaches because explanations based on exogenous factors are empirically incomplete as the same exogenous shock can provoke different changes in different institutions. This is because the influence of external changes depends on factors that are endogenous to institutions for three reasons. First, environmental change must be 'interpreted' by the cognitive maps and organisational paradigms present in an institution and may thus take on a different meaning according to the way it is deciphered. Second, the 'permeability' of an institution vis-à-vis the environment, its capacity to neutralise environmental change and preserve its stability depend on its degree of institutionalisation. Thus the same environmental change (in this case Cohesion Policy) may provoke a different impact according to the degree of institutionalisation of an organisation. Institutional permeability is a fundamental mechanism of institutional change as it extends the validity of legitimation principles from one organisational field to another in an unforeseen and unexpected way. It thus generates processes of change in principles that regulate actor behaviour and relations among actors in an institutional sphere (Lanzalaco

1995:142). Third, 'innovative' responses of the institution to change depend on its epistemic and cognitive heritage as well as the institutional sources from which it learns and thus the same change can lead to different innovative responses (Lanzalaco, 1995). It also depends on the degree of 'leeway' or 'room for manoeuvre' open to an institution in interpreting the same exogenous change.

Institutional change is therefore a process of institutional adaptation through which new rules, norms and practices are incorporated. A major causal mechanism of adaptation underlined by sociological institutionalism is isomorphism, which proposes that frequently interacting institutions may develop similarities in organisational structures etc. over time (Börzel 2002:23; Olsen 1996). This does not adequately account for variation in institutional adaptation to a similar environment (Börzel 2002:23). However, path dependency (Lindner 2003) offers a solution in the form of the concept of institutional paths: adaptation takes place along institutional paths in an incremental fashion and rarely abruptly veers off these paths.[10] Another factor that is significant in explaining variation is the interaction between the new institutional paradigm and the existing domestic one in terms of match: establishing goodness-of-fit (Bailey 2002) is important in order to ascertain the degree to which institutions will adapt. In other words, the more that European norms or practices resonate with those at the domestic level, the more likely will they be incorporated into existing domestic institutions (Olsen 1996:272; Börzel 2002:24). This is not sufficient however, as adaptation may vary despite similar degrees of misfit. Stacey and Rittberger (2003 859) affirm that "to date, institutionalist theory has been much more successful in accounting for institutional stability than for institutional change". But while economic institutionalism more readily explains change, historical and sociological institutionalism more readily account for stability. The former's explanations weigh too heavily in favour of agency, neglecting structure and the latter's propositions disregard agency and overemphasise structure (Börzel 2002:26). The literature on Europeanisation has amended that situation somewhat by bridging the different forms of institutionalism and resolving questions of agency. It has posited useful explanatory variables to account for differing outcomes of change and stability. It is to Europeanisation that the chapter now turns.

[10] The theory of path dependence, by characterising institutions as paths, "contends that, once actors have made an institutional choice and adopted a set of rules, they are significantly constrained in their ability to leave the path and initiate institutional change. Consequently, political institutions tend to remain stable over time". However, it tends to overemphasise the permanence of institutions and fails to account for change (Lindner 2003.916).

Institutional Change/Institution Building as Europeanisation?

Recent research has developed the concept of Europeanisation to refer to processes of construction, diffusion and institutionalisation of formal and informal rules, procedures, policy paradigms, styles, 'ways of doing things' and shared beliefs and norms which are first defined and consolidated in the making of EU decisions and then incorporated in the logic of domestic discourse, identities, political structures and public policies (Radaelli 2000:4). Scholars[11] have attempted to ascertain the domestic effect of Europeanisation which can be conceptualised as a process of change at the domestic level in which the member states adapt their processes, policies and institutions to new practices, norms, rules and procedures that emanate from the emergence of a European system of governance (Olsen 1996 cited in Börzel & Risse 2000). Europeanisation of policy has different forms: it can affect all the elements of policy, that is, actors, resources, policy instruments as well as policy style by making it more or less conflictual, consensual, corporatist, pluralist or regulative. Attempts at theorising have led to the formulation of two conditions for expecting domestic changes/adaptational processes in response to Europeanisation. First, Europeanisation must be 'inconvenient', *i.e.* there must be some degree of 'misfit' or incompatibility between European-level processes, policies and institutions on one hand and domestic-level institutions on the other. The degree of fit or misfit constitutes adaptational pressures[12] which is a necessary but not sufficient condition for expecting change (Bailey 2002). Misfit can relate to policy or institutions. European policies can challenge national policy goals, regulatory standards, instruments or techniques to achieve policy goals and/or the underlying problem-solving approach. This can exert adaptational pressure on underlying institutions. Europeanisation causes institutional misfit by challenging domestic rules and procedures and the collective understandings attached to them. European rules and procedures which give national governments privileged decision-making powers *vis-à-vis* other domestic actors challenge the territorial institutions of highly centralised states which grant their regions autonomous decision powers. Institutional misfit is less direct than policy misfit and although it can result in substantial adaptational pressure, its effect is more likely to be long-term and incremental. Policy or institutional misfit is a necessary

[11] See for example Bache 2000; Bulmer *et al* 2004; Conzelmann 1998; Falkner 2001:2003; Grote 2003; Jacquot & Woll 2003; Van Keulen 2003; Vink 2002; Montpetit 2000; Borràs *et al* 1998; Haverland 2003; Ladrech 1994.

[12] Knill & Lenschow (1998) list three degrees of *pressure*. High pressure arises when EU policy contradicts core elements of administrative arrangements. Limited and symbolic adaptations occur. Moderate pressure arises when EU policy only changes factors internal to national administrative traditions. Actual adaptation may require substantial but not fundamental reforms. The extent to which administrative change takes place depends on the nature of the specific actor constellation. Low pressure is when member states can rely on existing administrative provisions to implement policy. No administrative change occurs (Knill & Lenschow 1998:6-7).

condition for domestic change. Second. the effect depends on facilitating factors as a sufficient condition of domestic change. There must be some facilitating factors (actors, institutions) responding to adaptational pressures.[13]

In the literature, there are two ways of conceptualising the adaptational processes that basically make use of different facilitating factors: rationalist institutionalism and sociological institutionalism. These logics of change often occur simultaneously or characterise different phases in a process of adaptational change (Börzel & Risse 2000). First, from a rationalist institutionalist perspective, which treats actors as rational, goal-oriented and purposeful, the misfit between European and domestic processes, policies and institutions provides societal and/or political actors with new opportunities and constraints in the pursuance of their interests. Whether such changes in the domestic opportunity structure leads to a domestic redistribution of power depends on the capacity of actors to exploit these opportunities and avoid the constraints. "Europeanisation is conceived as an emerging political opportunity structure which offers some actors additional resources to exert influence, while severely constraining the ability of others to pursue their goals" (Börzel & Risse 2000). Two mediating factors with opposite effects influence these capacities. First, the existence of multiple veto points (Haverland 2000) in a country's institutional structure can effectively empower actors with diverse interests to avoid constraints leading to increased resistance to change. "The more power is dispersed across the political system and the more actors have a say in political decision-making, the more difficult it is to foster the domestic consensus or 'winning coalition' necessary to introduce changes in response to Europeanization pressures. A large number of institutional or factual veto players thus impinges on the capacity of domestic actors to achieve policy changes and qualifies their empowerment" (Börzel & Risse 2000:7). Second, formal institutions might exist providing actors with material and ideational resources to exploit new opportunities leading to an increased likelihood of change. "The European political opportunity structure may offer domestic actors additional resources. But they are not able to deploy them when they lack the necessary action capacity" (Börzel & Risse 2000:7). "The existence of multiple veto points and formal facilitating institutions determine whether policy and institutional misfit lead to the differential empowerment of domestic actors as a result of which domestic processes, policies, and institutions change" (Börzel & Risse 2000:7).

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[13] Knill & Lehmkuhl (1999) distinguish three mechanisms through which Europeanisation can affect member states: *institutional compliance*, whereby the EU prescribes a particular model which is imposed on member states (positive integration policies); *changing domestic opportunity structures* (negative integration policies) giving rise to a redistribution of resources between domestic actors; *policy framing* (framing policies) which alters the beliefs of domestic actors.

Sociological institutionalism argues that actors are guided by collectively shared understandings of what constitutes proper behaviour in a given rule structure and processes of persuasion. European policies, norms and the collective understandings attached to them exert adaptational pressures on domestic-level processes because they do not resonate well with domestic norms and collective understandings. "Europeanisation is understood as the emergence of new rules, norms, practices, and structures of meaning to which member states are exposed and which have to incorporate into their domestic structures" (Börzel & Risse 2000). Two mediating factors influence the degree to which such misfit results in the internalisation of new norms and the development of new identities. First, 'change agents' or norm entrepreneurs, that is epistemic communities, advocacy or principled issue networks for instance, mobilise in the domestic context and persuade others to redefine their interests and identities. Persuasion and social learning are mostly identified with processes of policy change, but they can also have an effect on domestic institutions. Second, a political culture and other informal institutions exist which are conducive to consensus-building and cost-sharing. Informal institutions entail collective understandings of appropriate behaviour that strongly influence the ways in which domestic actors respond to Europeanisation pressures. A consensus-oriented or co-operative decision-making culture helps to overcome multiple veto points by rendering their use inappropriate for actors. Consensus-oriented political culture allows for a sharing of adaptational costs which facilitates the accommodation of pressure for adaptation. A confrontation and pluralist culture may inhibit domestic change (Börzel & Risse 2000:9). Thus sociological institutionalism suggests that Europeanisation leads to domestic change through socialisation and collective learning processes resulting in norm internalisation and the development of new identities.

Table 1: Comparison of Degrees of Change Due to Europeanisation

Change	Börzel & Risse 2000[14]	Radaelli 2000[15]	Schmidt 2001[16]	Here
First	Absorption – low	Inertia – no change	Inertia – low	Inertia – low
Second	Accommodation – modest	Absorption - modest	Absorption – modest	Absorption – modest
Third	Transformation - high	Transformation – high	Transformation – high	Transformation – high
Fourth		Retrenchment – policy becomes less European than it was		

The degree of change provoked by adaptational pressures range from none to high and even retrenchment (see Table 1). Inertia denotes no change at all: when a member state finds that EU policies are too dissimilar to domestic practice, inertia may occur in the form of delays and even resistance to EU-induced changes (Radaelli 2000). Moreover, actors feel little economic pressures to change, would prefer not to change or are unable to achieve change. With inertia, policy legacies and preferences are maintained at the price of adjustment (Schmidt 2001:7).

The second outcome is absorption: intermediate domestic structures and policy legacies absorb certain non-fundamental change but maintain the core of policy legacies and preferences at no cost at all. It denotes accommodation of policy requirements without

[14] *Absorption*: member states incorporate European policies or ideas and readjust their institutions respectively without substantially modifying existing processes, policies and institutions. The degree of domestic change is low. *Accommodation*: member states accommodate Europeanisation pressure by adapting existing processes, policies and institutions without changing their essential features and the underlying collective understandings attached to them. One way of doing this is to patch up new policies and institutions onto existing ones without changing the latter. The degree of domestic change is modest. *Transformation*: member states replace existing policies, processes and institutions by new, substantially different ones or alter existing ones to the extent that their essential features and/or the underlying collective understandings are fundamentally changed. The degree of domestic change is high (Börzel & Risse 2000).

[15] *Inertia* - i.e. lack of change. When a member state finds that EU political architectures, choices, models or policies are too dissimilar to domestic practice, inertia may occur taking the form of lags, delays, implementation as transformation and sheer resistance to EU-induced changes. *Absorption* - i.e. change as adaptation. Domestic structures and policy legacy provide a mix of resiliency and flexibility. They can absorb certain non-fundamental change but maintain their core. It is the accommodation of policy requirements without real modification of essential structures and changes in the logic of political behaviour. *Transformation* - i.e. third order or paradigmatic change *à la* Hall in the core. *Retrenchment* - i.e. a paradoxical effect that implies that national policy becomes less European than it was (Radaelli 2000:13-15).

[16] *Inertia*: resistance to change appears when actors feel little economic pressures to change, see little 'fit' in terms of long-standing policies or policymaking institutions, would prefer not to change, have little capacity to negotiate or impose change, and/or have no discourse that could persuade of the necessity and appropriateness of change. *Absorption*: accommodation occurs without significant change, given a good 'fit' with national policy legacies and preferences as well as institutional capabilities for adaptation. *Transformation*: changes occur that reverse policy legacies and go against traditional policy preferences, which often assumes significant economic vulnerability and political institutional capacity, which in turn presupposes a 'transformative' discourse. (Schmidt 2001).

changing essential structures and or behaviour logics (Radaelli 2000), and neither politics nor economics are at issue (Schmidt 2001). The third outcome is transformation which denotes changes that reverse policy legacies and go counter to traditional policy preferences, a sort of third order change (Radaelli 2000). Generally this is accompanied by significant economic vulnerability and political institutional capacity and the price of adjustment is the end of policy legacies and preferences (Schmidt 2001).

The literature on Europeanisation has significantly bridged the divide between the different schools of institutionalism by taking adequate account both of agency and structure. The four intermediary variables or mediating factors developed chiefly by Börzel & Risse (2000) – multiple veto points, formal facilitating institutions, norm entrepreneurs and consensual/conflictual political culture – can be taken together to provide a useful frame to explain differing degrees of adaptation to EU policies. This thesis employs this theoretical framework to seek to ascertain the impact of Cohesion Policy on local institutions.

Cohesion Policy – Literature Overview

There has been an immense growth in the literature on changing governance structures due to the internationalisation and the scientification of policy issues in recent years. International regimes such as the EU have added new dimensions to the analysis of governance and institutional structures. The EU's Cohesion Policy is seen by some analysts as differentiating it from other international regimes and it has hence been the subject of many attempts to develop theories aimed at conceptualising EU governance (see Christiansen 1994). Much of the literature on Cohesion Policy is concerned with how it alters territorial relations within member states and whether regions are equipped at Brussels level. The main questions asked relate to whether regions by-pass the nation-state gate-keeper. What follows is a brief foray into the main groups of literature. The first group, the 'true cohesion' scholars, endeavour to determine whether real cohesion has occurred as a result of Cohesion Policy and they often differ in the conclusions they reach as a result of *a priori* differences in methodology employed (see *inter alia* Leonardi 1995[17]; Keating 1997; Tondl 1998 and more recently, De Rynck & McAleavey 2001). In the mid 1990s economic convergence was being mooted by some (Leonardi 1995) only to be refuted by others (Keating, 1995; Tondl 1998). Later studies emphasise the distributive role of Cohesion Policy rather than its cohesion ethos once it has left the

[17] See the debate in *Western European Politics* in 1995 between Leonardi and Keating.

intergovernmental bargaining table (De Rynck & McAleavey 2001: 548). Yet as Grote (1994) outlines,

> "a cohesion policy proper ...would not limit itself to only consider economic development differentials among the regions of Europe, but would take into account the entire range of factors determining their social and economic performance".

Through Cohesion Policy, the European Commission has actively sought to involve regional/local actors in formulating and implementating policies. Much literature has been concerned with regional mobilisation and regions influencing policy (Keating, 1993; Jones & Keating 1985;1995; Marks, 1992; McAleavey 1994; Balme 1994; Keating 1992). The conclusion reached can be summarised as follows:

> "The political weight of European regions varies considerably according to their economic importance, their political skills, their administrative infrastructure and their ability to mobilise civil society behind the efforts of regional governments" (Hooghe & Keating, 1994:375).

Depictions of Cohesion Policy as a mechanism to alter territorial politics are generally to be found in analyses of the EU as a system of multi-level governance (Scharpf 1994; Marks *et al* 1996a; 1996b). Cohesion Policy is a mechanism to alter territorial political exchange as the European Commission is starved of resources and thus wished to extend participation to gain information and expertise (McAleavey, 1995:143). The research focus is on the policy process and especially the implementation stages. Empowered sub-national authorities, albeit to differing extents, is the outcome. Many single case-studies or comparative case-studies have been forwarded to demonstrate this empowerment.[18]

In the context of liberal intergovernmentalist or realist state-centricist analyses of the EU, Cohesion Policy is characterised as a side-payment to the poorer countries for their participation in first the Single Market, and second, Economic and Monetary Union. The research focus is on Intergovernmental Conferences (IGC) and Summits of the Council of Ministers or the 'big moments' in the development of the EU. A consolidation of the role of the nation-state is the conclusion reached by proponents of this characterisation (see *inter alia* Moravcsik 1993; 1998).

Neo-functionalist views of the EU generally see Cohesion Policy as an incentive for lobby groups and focus on the agenda setting stage of the policy process and the proliferation of EU-wide regional and sectoral interest group offices in Brussels. The conclusion reached

[18] See for example Hooghe's (1996) volume as well as Le Galès & Lesquesne (1997).

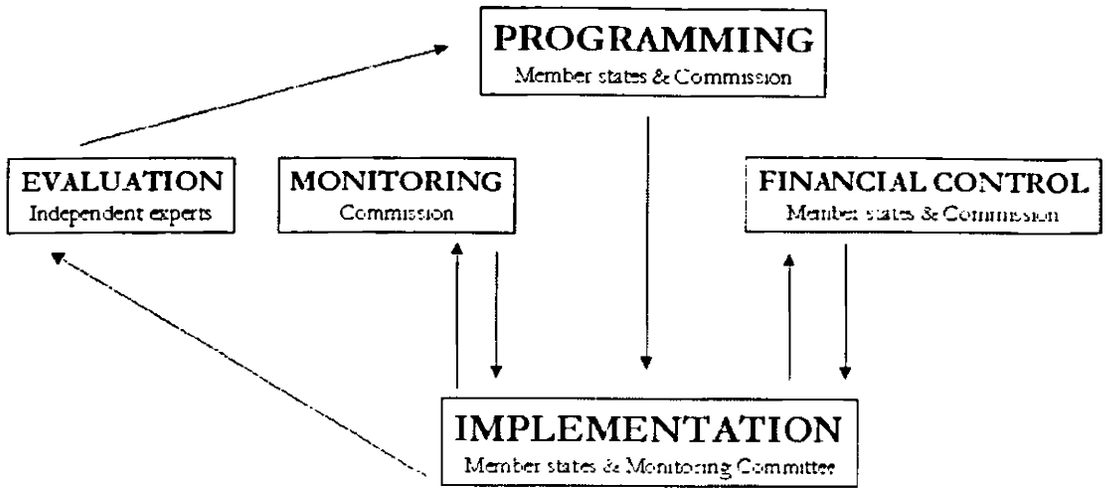
is that although there is an increased bout of lobbying vis-à-vis EU institutions, this is not at the expense of national governments (Mazey & Mitchell, 1993).

There tends to be a lack of comparative studies on the effects of institution building at a local level in member states or that perceive Cohesion Policy as a tool to bring about indirect institutional change or to build institutions. The focus here is on the extent to which the European Commission has been able to build institutions, in an indirect way, that reflect its own objectives. The European Commission's institution building drive has not only been motivated by adaptation, it has also been motivated by the desire to resuscitate the dwindling European project in the 1980s by adding a redistributive dimension to the Common Market, which was also intended to correct its apparent failures. In the 1990s it has been motivated by the need to bridge the distance between citizens and European institutions. What happens to the European Commission's institution building at a local level is explored in the two empirical sections (II and III). The chapter now turns to how Cohesion Policy facilitates institution building.

Institution building and Cohesion Policy's Delivery system

The delivery system of Cohesion Policy requires some clarification. It entails a 'multi-level' system of governance within which relationships between different levels are characterised by partnership and negotiation rather than hierarchy. As can be seen in figure 1, Cohesion Policy's delivery system is built on two main operational elements: programming and implementation. The main actors involved in the former are member states and the European Commission, and in the latter, member states and monitoring committees. There are also three feedback loops: monitoring, financial control and evaluation. Monitoring involves the European Commission, financial control involves member states and the European Commission, and evaluation normally involves independent experts. Thus, the main actors in programming and implementation as well as monitoring and financial control are member states and the European Commission. Formally sub-national actors are involved only insofar as they are included in monitoring committees nominated by member states. It is up to member states to decide who participates. This is illustrative of the fact that the Commission's institution building is indirect, as it specified that sub-national actors had to be included but it could not directly nominate them.

Fig. 1: Cohesion Policy's Delivery System



Source: European Commission (1999:66)

As aforementioned Cohesion Policy also has several principles, namely concentration or targeting, partnership and additionality or leverage effects. These principles constitute the pillars of the European Commission's institution building as in order to respect them, member states have to modify existing practices. The chapter now examines these principles or institutional pillars, which we call the pillars of the Commission's institution building, in more detail.

First, concentration means that Cohesion Policy seeks to target particular areas or groups in order to have maximum effect rather than be dispersed across the EU. The European Commission's approach is to target particular types of activities, localities or groups according to the programme in question. This means that Cohesion Policy becomes more than a mechanism for inter-state transfers as the target groups or localities are necessarily small and thus at a sub-national level. It also ensures a greater role for the European Commission as it must approve the target groups or localities and a greater role for sub-national authorities or groups as their co-operation is necessary for the success of programmes in terms of the resources (local knowledge, involvement etc.) they bring. Thus, concentration has brought about an increased role for the sub-national level and this is a form of institution building as where they had no role hitherto, an

organisational dimension to their role almost inevitably results. Where they had a role on the other hand, some changes have had to have been wrought in order to facilitate their inclusion according to the principle of partnership.

Second, Cohesion Policy's delivery system is based on medium-term programmes. In general terms programming is characterised by three phases. First, the problem is diagnosed. Second, a strategy is formulated and third, the concrete objectives to be achieved are defined. In Cohesion Policy, programming is carried out at two levels. At the first level, the definition of objectives and the development strategy as well as the distribution of financial resources are carried out at what can be called the strategic programming stage (European Commission 1996a:112-113). Second, detailed programming is involved in the implementation of the strategy when sub-programmes and measures are outlined (ibid.). This latter phase of the delivery system takes place between the European Commission and member states in order to draw up a Community Support Framework or Single Programming Document, which set out the strategy, resources and time-frames over a period of five years. In some cases, according to the European Commission, programming has been adopted in member states as a means of implementing non-EU policies and has led to some administrative reorganisation. This is because, again according to the European Commission, experience shows that the task of designing and implementing strategies often motivates those involved and releases local potential, stimulating the development of policy measures tailored to local circumstances (European Commission, 1996a:113). The increasingly pervasive nature of programming illustrates how this principle is one of the European Commission's institution building pillars.

Third, Cohesion Policy's delivery system is supported by systems of monitoring, financial management and control. Monitoring determines whether the programme is going according to plan and assesses physical output. Financial control assesses compliance with the rules for spending funds. Moreover, evaluation, both *ex ante* and *ex post* is encouraged in order to stimulate best practice. Evaluation assesses the final impact in socio-economic terms and considers the effectiveness of the delivery mechanism. The very introduction of these elements has entailed institution building in most member states as these concepts were quite new. These principles have also led to greater transparency in the delivery system in member states and this 'exposure' has led to institution building in order to 'make a good impression' in evaluation reports.

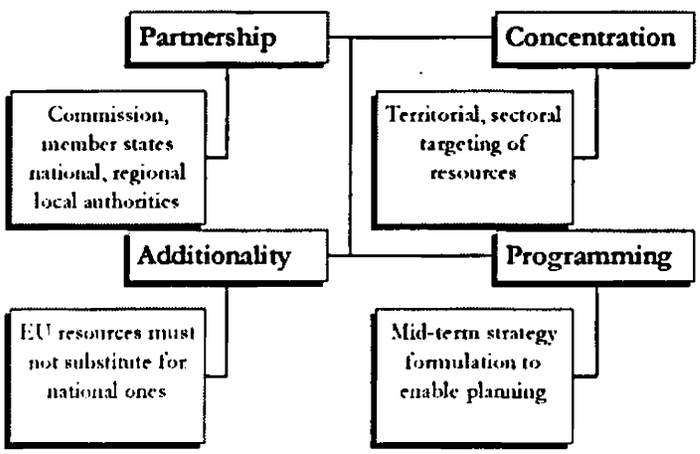
Fourth, the European Commission purports that Cohesion Policy's delivery system is driven by subsidiarity and partnership. In other words, the European Commission seeks to involve the beneficiaries of programmes in their implementation through the principles of partnership and subsidiarity. The christian democratic concept of subsidiarity emerged from the 1931 papal encyclical *Quadragesimo Anno* and can be defined as the process whereby the larger unit assumes functions insofar as the smaller units of which it is composed are unable or less qualified to fulfil their roles. The EU's definition is somewhat different as Article 3b asserts that the EU shall take action if the objective desired cannot be sufficiently achieved by the member state or if it can be better achieved by the EU. Thus, although formally in EU terms, subsidiarity is supposed to regulate competency squabbles between the EU and member states, informally, in principle as well as in practice, it means that an action should be taken at the lowest possible level. It entails the involvement of those nearest the problem for which solutions are being sought.[19] The precise method of this involvement is however to be decided by member states in accordance with the principle of partnership.

According to the European Commission (1999a:68), partnership, by mobilising regional and private sector involvement, improves the effectiveness of Structural Funds by bringing additional resources and knowledge and by building public, private and mixed networks. Partnership takes place at different phases of the policy process and this form of institution building involves a long lead-time and the Commission contends that partnerships are likely to deepen in the future. The advantages of partnerships are manifold. First, they give access to the strengths of partners and less bureaucracy in the public sector. Second, they lead to high levels of co-operation and ownership although procedures can sometimes lead to frustration. Third, they lead to the creation of local networks that decentralise implementation to a local level and the spread of consensus as well as regional innovation strategies and institution building. Partnership is supposed to facilitate trust and the exchange and sharing of resources. It is a new approach to policy problem solving. The European Commission (1996a:114) holds that partnership has proved "a robust and adaptable means of implementation" at national level and at local level, partly because it is adaptable to all kinds of programmes and to different national circumstances. Moreover, the European Commission holds that the development of a vigorous partnership that is genuinely accountable, helps ensure that programmes are

[19] "The notion of subsidiarity in public policy reflects a recognition of the virtues of decentralisation, involving the relevant authorities at all levels in the pursuit of agreed objectives and the sharing of responsibilities for decision-making between central and lower tiers of government closer to the grass-roots. This is important, since it means the involvement of those nearest to the problems for which solutions are being sought" (European Commission, 1999a:114).

adapted to the needs of beneficiaries, that there is support for policies among people and that a wide range of measures are co-financed. The principles of subsidiarity and partnership are the European Commission's most significant institution building pillars. Even though both concepts are certainly not widely accepted or even familiar across the EU, their categorisation as 'principles' of EU Cohesion Policy has meant that they are measures of 'success' of projects and programmes and so actors in member states attempt to conform. As Hooghe & Keating (1994:376) illustrate, "by proposing partnership arrangements, the European Commission was attempting to institutionalise links of access and support between regional actors and the European level of decision-

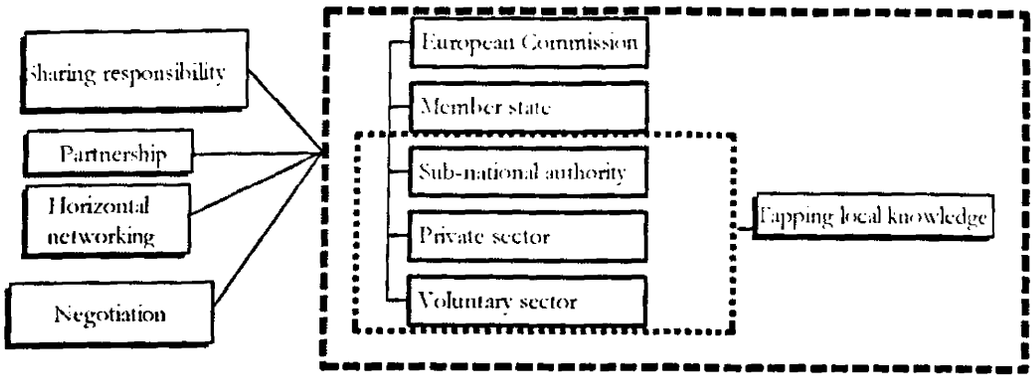
Fig. 2 Cohesion Policy Principles



making".

Fifth, additionality ensures that the Structural Funds do not substitute for member state spending. Cohesion Policy seeks to ensure additionality and leverage effects through attracting additional resources from the public and private sectors. In recent years, additional resources from public and increasingly private sources in member states are being brought into play. Such leverage effects are often the direct result of the devolution of policy implementation and of the mobilisation of support from widely drawn groups of the population. According to the European Commission, this mobilisation is often reflected in greater contributions of matching finance from public and private sectors. The European Commission also holds that there is a corresponding improvement in the effectiveness of programmes (European Commission, 1999a:112-114).

Fig. 3 Multi-level governance



Again, the European Commission's attempts at institution building are apparent as the stipulation of the need for private sector funding in Cohesion Policy programmes has led to the an increased role for the private sector in development programmes.

Hypotheses

According to Hooghe (1995:1), "the main challenge of the EU was and is to fashion structures and procedures of governance that facilitate the accommodation of policy with contrasting national policy and institutional practices". In order to facilitate the delivery of Cohesion Policy, the European Commission has set about institution building through the principles of Cohesion Policy. Territories have to adapt to Cohesion Policy's delivery system rather than vice versa. Thus, rather than directly pushing for institutional reform, imposing a rigid delivery system has led to the necessity for change. As it stated (1999a), in accordance with changes in the philosophy of public sector organisations, the European Commission seeks to include wider public sector representation and that of the private sector in policy-making. This is at the basis of Cohesion Policy's delivery system that in principle has the following characteristics: multi-level governance within which formally autonomous levels of government work together in partnership with sub-national authorities but also with the private and voluntary sectors with different partners bringing different strengths and perspectives; economies of scale are obtained as local knowledge is tapped; there is a sharing of responsibilities, and co-operation and negotiation as opposed to hierarchy prevail; different perspectives lead to full and open discussion of objectives and can potentially increase transparency and the quality of planning; horizontal networking is promoted which is ideal for transmission of tacit knowledge and innovation and the accumulation of social capital (European Commission, 1999a).

Figure 3 illustrates how the multi-level system of governance works. Through Cohesion Policy, the European Commission seeks to contribute to improving the institutional structure of regions in two ways. First, by mobilising partners and their strengths, that is, know-how and resources. Second, innovation, which it holds, naturally results from partnership among actors and instruments. Although the European Commission cannot directly shape administrative structures, through the operation of the Structural Funds, assisted regions have had to set up new or modify existing structures to deal with, *inter alia*, evaluation, co-ordination and the establishment of networks. According to the European Commission (1999a), these structures give rise to economies of scope, as they are applicable for other purposes. Thus, they give spin-off improvements to public and private institutions in the regions and countries concerned.

The European Commission's institutional creation has been made possible by the requirements of Cohesion Policy's delivery system: in order to avail of funds, fixed procedures must be followed. Consequently, existing institutions have to be adapted or new ones created. This brings us to the first hypothesis.

First Hypothesis –Institution Building

The European Commission has been able to trigger off a process of differential institutional reform at local level in member states through Cohesion Policy. This has been done through building or changing institutions as a result of significant misfit. The European Commission's capacity to build institutions is constrained by a number of factors. First the existence of multiple veto points inhibits Cohesion Policy's institution building because changes pioneered by one organisation may be blocked at different points. Second, a conflictual political culture may hold back necessary collaborative efforts to bring about change. Third, the absence of norm entrepreneurs espousing domestically Cohesion Policy's tenets constrains change. Fourth, where formal facilitating institutions fail to materialise, change is unlikely. It follows that Cohesion Policy's institution building capacity is facilitated by the reverse of the above four factors: absence of multiple veto points; a consensual political culture; presence of norm entrepreneurs; presence of active formal facilitating institutions. Given the above, it is possible to hypothesise that in cases where no development institutions exist locally (absence of veto points), institution building is easier. In other words, it has been easier to accomplish when local development is bereft of local institutions than when local development is dealt with by local institutions. Ireland was bereft of development institutions prior to the advent of Cohesion Policy as development policy and processes tended to be rather centralised. By contrast, local development in Sardinia was dealt with

by several sub-regional institutions and therefore, tended to be decentralised. Thus. institution building should be easier in Ireland than in Sardinia.

Second Hypothesis – Institutional Innovation

Cohesion Policy's institution building has tended to set off domestic experimentation and change the nature of local institutions involved in local development. Loose experimentation enables creativity and facilitates the emergence of new institutional forms. Moreover, institutional permeability may lead to changes spilling over to existing institutions. In Ireland, the kind of institutions that have been generated as a result of Cohesion Policy's delivery system tend to tie development to participation rather than representation. There is a shift away from local government to local 'management structures'. In Sardinia, it has been difficult to siphon off 'development power' from embedded local representative institutions and institutional experimentation, because it was procedurally rigid, did not allow for the same degree of institutional creativity.

Third Hypothesis – Institutional Effectiveness

The third hypothesis is that the effectiveness of these institutions, and therefore of Cohesion Policy implementation, ultimately depends on the openness of existing domestic institutions and their willingness to make them work. What do we mean by the openness of existing institutions? Openness of institutions refers to their willingness to enable new structures to work insofar as they participate in the structures or work with them. *Do they try to obstacle their work or contribute to their functioning? If they participate through their representatives, is their participation collaborative?* How do we measure effectiveness?

The European Commission's characterisation of reality in relation to Cohesion Policy's delivery system and in particular partnership will be evaluated in relation to the institutional structures set up in our case studies. The Commission itself points out some of the pitfalls of partnership. For instance, it admits (1999a:70) that there can be a trade-off between efficiency and the scale of participation, particularly when the number of partners involved exceeds a certain level and the system can become unwieldy. In addition, local partners tend to have less Structural Funds-specific expertise so there is a strong need for the Commission and national authorities to provide technical assistance. This may lead to a dependency relationship rather than a relationship among equals. Other analysts articulate additional nuances of partnership. Hooghe & Keating (1994:376) hold that while partnership itself is "presented in the language of consensus [it] is inherently political since it brings together actors with potentially differing

perspectives and interests and with no pre-established hierarchy". Mackintosh (1992:210-211)[20] outlines that "partnership schemes are rarely well defined one-off deals between partners with clearly defined goals, but rather sites of continuing political and economic renegotiation". The following are the main *ideal* working characteristics of partnerships as laid out by the European Commission: they give access to the strengths of partners and less bureaucracy in the public sector; they are characterised by high levels of co-operation and ownership; they facilitate the creation of local networks that decentralise implementation to a local level; they lead to a spread of consensus; they give rise to regional innovation strategies; they facilitate trust and the exchange and sharing of resources; if genuinely accountable, they ensure that programmes are adapted to the needs of beneficiaries, that there is support for policies among relevant population and that a wide range of measures are co-financed.

Several other factors may contribute to making these institutions effective. Besides the openness of existing institutions: approaches to problem-solving, strong or weak interests, strong or weak preferences, governance structures, political traditions and culture, central-local relations. It is undeniably difficult to definitively separate these components and to nominate one single explanatory factor. Reality probably suggests that all of these components combined with their constant interaction comprise any explanation. Here the hypothesis is that the openness of domestic institutions is the main overriding contributory factor to the effectiveness of the 'new' institutions insofar as the quality of their participation is incisive. That is to say, central government openness to the tenets of Cohesion Policy and its delivery system is crucial to its successful implementation in sub-national arenas. Without policy leadership nationally, very little can be accomplished by way of change locally: the state is gate-keeper as it filters through change in the implementation of Cohesion Policy. It may not agree with the institution building propensities of the European Commission but it may choose to acquiesce in order to draw down funding. New institutional forms take shape and acquire a life and logic of their own. Institutional effectiveness is examined in the case-study chapters in terms of policy implementation performance. The expectation is that innovative institutional forms are more effective than traditional ones because traditional ones are not equipped to deal with Cohesion Policy. In fact, Cohesion Policy is the European Commission's tool to reform local institutions.

[20] In McAleavey (1995:300).

Research design and method

It is worth dwelling briefly on some of the terminology employed herein. Firstly, although cohesion, regional and structural constitute very different concepts in terms of development policy, the view taken here, which is consistent with that of the EU, is that they all refer to the same policy. The term cohesion, as opposed to regional or structural is opted for here essentially to avoid confusion, especially since both the policy and thus the thesis deal with different territorial levels and sectoral orientations. Ambiguities inherent in the term cohesion (see McAleavey & De Rynck, 1997) are therefore of no concern here.[21] Cohesion policy denotes the EU's specific mandate to reduce disparities among *regions* in the Single European Act[22], *rural areas* in the Treaty on European Union[23] and *islands* in the Amsterdam Treaty[24]. Secondly, as aforementioned, the term 'region' refers to a miscellaneous array of different territorial and constitutional entities which is reflected in our choice of cases-studies: "from the outset, the term [region] was highly indeterminate – floating between the specifically territorial and the generically sectoral, and lending itself to any number of metaphorical applications or extensions" (Anderson, 1994:6). Once again, mainly in order to counter potential confusion, we resort to 'Euro-speak', that is we take the definitions offered by the EU and thus both of our case studies (Ireland – which is a state and Sardinia – an administrative region) are 'Objective 1 regions' at the same NUTS level (Nomenclature of units for territorial statistics[25]). Third, institution building refers to structures/institutions/institutional arrangements set up as a consequence of or in order to deal with the implementation of Cohesion Policy.

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[21] The First Cohesion Report distils the EU's general aims of solidarity and mutual support into substantive and measurable economic and social targets and takes Article 130a of the TEU as its inspiration. Herein, cohesion is explained in terms of "harmonious development" with a specific geographical dimension and aims at "reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions". As the report sums up, "This reflects an explicit recognition that wide disparities are intolerable in a community, if the term has any meaning at all" (1996a:13).

[22] Article 130a of the Single European Act reads, "In order to promote its overall harmonious development, the Community shall develop and pursue its actions leading to the strengthening of its economic and social cohesion. In particular the Community shall aim at reducing the disparities between the various regions and the backwardness of the least-favoured regions".

[23] Article 130a was amended in the Treaty on European Union to read, "In order to promote its overall harmonious development, the Community shall develop and pursue its actions in leading to the strengthening of its economic and social cohesion. In particular the Community shall aim at reducing the disparities between the levels of development of the various regions and the backwardness of the least-favoured regions, including rural areas".

[24] Article 130a was once again amended with the Amsterdam Treaty and reads, "In order to promote its overall harmonious development, the Community shall develop and pursue its actions leading to the strengthening of its economic and social cohesion. In particular the Community shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least-favoured regions or islands, including rural areas".

[25] NUTS refers to the system of classifying different territorial units for statistical purposes set up by the Commission in order to collect regional statistics.

In order to test the hypotheses, a comparative analysis of the two Objective one regions, Ireland and Sardinia was deemed optimal for four reasons. First, the thesis is concerned with local development in territorial rather than sectoral terms and thus, it examines institution creation through Cohesion Policy in Objective one regions. Objective one regions, in fact, are defined according to territorial (GDP *per capita* etc.) as opposed to sectoral indicators. Objective 1 regions were chosen because they are the poorest in the EU and have tended to benefit from concerted policy efforts over long periods and across multiple sectors. Objective 1 denotes the development and structural adjustment of regions where development is lagging behind, including rural areas. This constitutes the major priority of Cohesion Policy. About 26.6 per cent of the population live in these areas which account for two thirds of funding. Second, cases were selected according to a variation in institutions. Thus, the only state that has been defined as a region for structural funding purposes - Ireland - was chosen. Sardinia was chosen for its institutional differences with Ireland. Third, from a longitudinal point of view, Ireland has been at the receiving end of European Cohesion Policy from the initial stages as have southern Italian regions, including Sardinia. Fourth, although institutionally different, Ireland and Sardinia were chosen because of similarities in territorial and economic terms in the late 1980s. That is to say, Sardinia was similar to Ireland along other dimensions such as territory and economic indicators *etc.* but not in relation to the intervening variable. The choice of two islands is further bolstered by the specific recognition accorded to islands in the Amsterdam Treaty's amendment of article 130a. Moreover, the declaration on 'island-regions' in the same treaty recognises that "island regions suffer from structural handicaps linked to their island status, the permanence of which impairs their economic and social development [and that] Community legislation must take account of these handicaps and that specific measures may be taken, where justified, in favour of these regions in order to integrate them better into the internal market on fair conditions" (*Declaration on Island Regions*).

To recap therefore, both of our cases are Objective 1 region-islands, super-peripheries (Loughlin, 1992:619) and had similar features of "structural backwardness". Furthermore, they were both long-dependent on agriculture which declined in the last two decades and have relatively small internal markets as well as a low population density (Ireland's population density is almost a third of the EU average and Sardinia's is half). They are also characterised by young populations (44.5 per cent of the Irish population and 37.3 per cent of the Sardinian population are under 25 years). When research for this thesis commenced, both regions had unemployment rates that amount to about twice the Community average and GDP *per capita* was well below the EU

average. The situation has changed somewhat for Ireland, which has undergone something of an 'economic boom' in the last few years. Both islands have witnessed a massive increase in service employment over the last two decades (an increase of 13.5 and 19.5 per cent in Ireland and Sardinia respectively).

The comparative design breaks from traditional research practices that situate Ireland in the "Celtic periphery" and Sardinia in southern Europe or in the southern half of the north-south dualistic Italian structure (see *inter alia* Putnam, 1993). This provides several advantages. Firstly, comparing these regions gives us an insight into the nuances of development and institutions that are not immediately evident when these regions are studied in the framework of their immediate geographical contexts. Secondly, it breaks with the usual north-south European dichotomy from which several generalisations emerge in order to make more non-geography-specific generalisations in relation to development and Cohesion Policy within the EU.

Variation in institutions therefore lies at the basis of the choice of cases. The institutional context obviously differs in a state-region and region-region. Evidently, there are significant difficulties involved in a comparative analysis of 'regions' in the EU: regions for Cohesion Policy range from states to regions to counties. Definition is arbitrary as in Ireland or historically legitimised as in Italy[26]. Ireland is an Objective 1 region within a sovereign state and Sardinia is an Objective 1 region within a sovereign state: this avoids most of the problems arising from the comparative design. In any case, we compare the cases through the effects of Cohesion Policy, a policy common to both cases. Nonetheless, the fact that Sardinia is a part of Italy means that it has less leadership capacity than Ireland. Elements of leadership capacity are access to negotiating tables; ability to identify interests and represent them; and ability to build consensus around strategies pursued. Ireland is clearly at an advantage as it enjoys all the resources of a state (knowledge, human, power *etc.*) and yet it is a region for the purposes of Cohesion Policy. The interests of region-Ireland are readily identified and pursued by state-Ireland in different institutional settings, whereas Sardinia's interests are not so readily identified nor represented by Italy. State-Ireland can wield its authority and build consensus around strategies adopted by region-Ireland at a national level more readily than Sardinia. In sum, state-Ireland adds capacity to region-Ireland in a way that Italy does

[26] This refers more to the so-called 'special' regions which were established in the post-war period rather than the 'ordinary' regions established in the 1970s especially since there were some controversies surrounding the latter see O'Neill (1996).

not *vis-à-vis* Sardinia. The consequences of this difference are explored in the empirical chapters and issues of leadership are discussed in Chapter 7.

An obvious question that arises from our comparative design is whether the fact that EU Cohesion Policy is directed at all sorts of 'regions' leads to different institutional outcomes. Is institution building easier in state-regions than regions? Why? Are the results more durable in the former than in the latter over time? Do they constitute the kind of institutional reforms envisaged by the European Commission or are they mere expedients in order to access Structural Funds? Another question that emerges is the extent to which the move from 'state-to-region-and-back-to-state' emphasis in EU Cohesion Policy is an accurate characterisation of reality in terms of power-shifts. However, it is not enough to explain differences between the cases in terms of state versus region. Furthermore, we are not concerned with showing the differences between states and regions in EU Cohesion Policy processes. The thesis also looks at the sub-state and sub-regional level since the emphasis is on local development. Thus, the fact that one of our cases is a state and the other is a region does not reduce the comparison to a state-region comparison.

The period of study begins with the advent of the ERDF and continues up the third programming period currently underway. For analytical purposes the examination of the case-studies were divided into two periods which correspond to Section II and Section III respectively: the first period of Cohesion Policy and the second one. The case-studies are presented separately in two chapters each in these two sections. Comparative lessons are drawn in Section IV to inform the initial theoretical framework.

Working questions

Section II addresses the kind of mismatch between the cases and Cohesion Policy's delivery system. It explores if, how and what kind of institutions were built in the first programming period of Cohesion Policy. The European Commission tries to impose a fairly tightly designed response to the needs of a region (McAleavey, 1995:191). Section III investigates whether these institutions bear the imprint of the European Commission or of member states. Are institutions effective? That is to say, do they fulfil the tasks for which they were set up or is there a slippage from initial objectives? Why? Is it due to contextual factors or openness of existing institutions to new structures and EU policy? Are the structures responsive to local conditions? To what extent are institutional structures of partnership designed to ensure local flexibility and adaptability to unfolding circumstances? As we have seen in general, the new institutions created are partnerships

as the Commission has tended to make all parts of Cohesion Policy rotate around partnership as a structure. How do these partnerships work? Do all actors all have the same ideas and priorities? Is there clarity and agreement on functions? Is partnership conducive to decision-making, communication and co-ordination? Is partnership a method that works?

Moreover, through examining experiences with local development, Section III attempts to characterise institutional change in the cases and following questions are addressed. Is it easier to build institutions at a local level in centralised unitary states or in decentralised autonomous regions? Why? If so are institution changes wrought by Cohesion Policy more valid in central unitary states? In other words has the involvement of actors with little or no experience led to the improvement of policy? What explanatory variables can be mooted to interpret the answers to these questions.

Research data sources

A wide variety of sources were put to use in this research. Publications and articles on EU Cohesion Policy continue to multiply due, *inter alia*, to the changing nature of the same. Such proliferation requires a lot of effort on behave of researchers to keep abreast. Institutional and local development literature were perused in order to set out the theoretical framework of the research. As is evident in Box 1, the primary sources employed include official reports from EU institutions, the Irish government and Sardinian authorities as well as press cuttings from Irish and Italian newspapers.

Box 1: Sources employed

Secondary literature; Official reports (Irish, Italian, EU); Policy documents (Irish, Italian, EU); Press cuttings (Irish, Italian, International); Programme evaluations (Irish, Italian, EU); Over 50 actors interviewed over different time periods; World wide web

Programme evaluations provide useful data and discussion points but are treated with some circumspection as the fact that they are commissioned by actors involved in programmes means that conclusions are not always entirely objective. As Majone (1989:156) illustrates

> "evaluators of administrative programmes are justificationists at heart – their working hypothesis is that the programme is accomplishing what it set out to do – but falsificationists by necessity. [..] We can say that the target of the

arrow of evaluation is shaped while the arrow is already in the air. Evaluation does not assume a fully articulated policy or programme; it builds it." .

Interviews were unconstructed and open-ended and took place between 1995 to 1997. Government and Commission officials as well as officials of local bodies, councillors, MEPs and regional and local authorities and policy analysts were interviewed. The world wide web has constituted a revolution for researchers: it has been an important data source enabling constant consultation of copious documentation and keeping abreast of developments.

Conclusion

This chapter has explored institutionalist literature and embraced the bridging faculties of Europeanisation literature in order to set out a theoretical framework for ascertaining how the European Commisssion builds institution in member states through the delivery system of Cohesion Policy. In particular, the principle of partnership, an integrated approach and the need for evaluation have enabled the European Commission to build institutions in Objective 1 regions, albeit informally. As we shall see in the next as well as subsequent case-study specific chapters, partnership makes it necessary to build review or monitoring structures; the Community initiative LEADER requires\\\ Local Action Groups; local development requires local partnerships; an integrated approach requires co-ordinating structures both locally and nationally; evaluation leads to structures for policy learning. The ethos behind all of this is decentralisation, partnership and subsidiarity. The extent to which the European Commission has been able to build institutions in Objective 1 regions through the delivery system of Cohesion Policy varies in member-states. The comparative design described herein provides a useful frame for determining the causes of variation as the cases have different institutional characteristics. This kind of study provides insight into the influence of the European Commission as well as its ability to bring about the kind of reforms it wishes indirectly. More generally, it illustrates the potential and limits of indirect institution building as opposed to direct institutional reform in a transnational policy context. Furthermore, it points out existing institutional and non-institutional obstacles to institution building. The next chapter of this section forays into the development of Cohesion Policy from its inception through its several reforms, thus setting the context for the subsequent case-study sections (II and III).

Chapter 2

Policy Context: The Development of Cohesion Policy

Introduction

> "Cohesion Policy more than any other EU policy area, provides a compelling field of analysis to ascertain the extent to which a 'supranational' common policy changes or is changed by entering into contact with EU regions and localities" (Hooghe 1997).

This chapter charts the development of Cohesion Policy, from the inception of the European Regional Development Fund in 1975 to the recent Amsterdam treaty. Through Cohesion Policy the European Commission has sought to build institutions equipped with an economic, social and political rationale (Hooghe & Keating 1994). Its economic rationale stems from the fact that intervention is necessary to overcome the adverse effects of market integration on poor regions. A commitment to protect workers from adverse consequences and disruptions entailed by market integration is at the basis of its social rationale. Lastly, the political rationale arises because of the legitimacy it lends to a new economic and political order, especially in regions that may lose out from change (Hooghe & Keating 1994:368-370).This 'institution building' strategy culminated in 1988 with the reform of the Structural Funds and the introduction of partnership, only to falter with the 1993 reform. It reached its peak subsequently, however, with first, the shift of emphasis in development terms from regional to local, second, the shift of policy concern to employment issues, and third the linking of policies to combat unemployment and to build new employment with the local spatial scale. In a way, the kind of institution building that the European Commission has hoped to engender regionally has been extended to the local level.

Hooghe (1997:1) asserts that Cohesion Policy is a fascinating area of study because of the tension that exists between EU policy and regional diversity. Moreover, it is highly suitable for our study of institution building for three reasons. First, EU Cohesion Policy is the only explicit redistribution policy for member states as competition rules narrow the options of states with developmental problems. In fact, Cohesion Policy is at the heart of the "social Europe" and attempts to eschew the US model. For this reason, it is important to decipher whether Cohesion Policy's development objectives are enhanced or constrained by institutional issues. Second, whether or not it constitutes a side-payment to the losers of the free market and Economic and Monetary Union at an inter-

governmental level is not of relevance here. What is important, by contrast, is its usefulness as a tool for institution building and in local development. From forays into local development theoretical literature, it is assumed that increased attention to institutional issues in local development elicits far more dividends in the long-term than large infrastructure projects such as roads. Third, the degree to which Cohesion Policy can impact on local development structures is to a large extent affected by pre-existing institutional structures. However, these ought to be taken account of from the initial region-specific formulation of policy programmes. In fact, Cohesion Policy provides insight into how a supranational common policy looks different when implemented in different member states due to variations in political practice, institutions and actors, and the effects of failure to take these variations into account. The vast literature that Cohesion Policy has evoked tends to overlook these factors. For many (Hooghe 1996; Marks 1993) Cohesion Policy represents part of the Commission's strategy to penetrate the politics and society of member states. However, the nature of this penetration at a local level, arguably the most relevant level for the citizen and thus EU legitimacy, is rarely considered. Moreover, much of the literature is concerned with how Cohesion Policy alters territorial politics within members states (McAleavey 1995), how as a consequence of Cohesion Policy, some regions mobilise and are represented in Brussels (Hooghe 1995), and how some regions can by-pass the national gate-keeper (Bache 1998). Little analysis is offered of changes wrought *vis-à-vis* local development as opposed to *vis-à-vis* EU institutions or changing structures for local development. Furthermore, modifications in regions' prevailing strategies[27] with respect to local development practices do not elicit much academic discussion.

The unit of analysis is policy for two reasons. Firstly, in cross-national comparison, formal organisations are less important as units of analysis than policy processes (Bogason 1995). This is because formal organisations are more difficult to compare across states than policy processes, and in particular, supranational policies. Second, analysing institutions *per se*, can result in a static analysis and risks missing out on some of the nuances linked to the process nature of policy. Policy components are instrument settings, instruments and the hierarchy of goals behind policy (Hall 1993: 279). We take the core of the EU's Cohesion Policy (that is the supranational part) as given and analyse it at the point in which it begins to interact with sub-national institutions. This is because, although Cohesion Policy is a supranational policy it does not translate equally in all regions. Rather, a region-specific policy document emerges from negotiations

[27] Scharpf (1984:257-290) defines prevailing strategy as "[..] an overall understanding, among those who exercise effective power, of a set of decision premises integrating world-views, goals and means".

between the Commission and regional authorities: the Community Support Framework (CSF) and its Operational Programmes (OPs). The CSF thus reflects differing priorities and approaches that are formulated according to the prevailing strategies of negotiators. Some elements of Cohesion Policy, such as Community Initiatives remain largely similar across regions. While acknowledging that Cohesion is "an inherently ambiguous concept" (McAleavey & De Rynck 1997:4), we do not dwell upon its ambiguity. Rather, Cohesion Policy here refers to the EU's objective of cohesion pursued under the auspices of the Structural Funds.

Instruments of Cohesion Policy

The instruments of Cohesion Policy are the Structural Funds (ERDF, ESF, EAGGF) and the Cohesion Fund. The European Regional Development Fund was set up in 1975 in order to strengthen economic potential in assisted regions by supporting structural adjustment and helping growth and lasting employment. Between 1989 and 1993, ERDF resources accounted for 45 per cent of total EU structural intervention. The European Social Fund was set up under the Treaty of Rome and since 1988 has aimed to combat long-term unemployment, improve the employability of young people and, since 1993, promote adaptation to industrial change. It accounted for 31 per cent of overall intervention in 1989 to 1993. The European Agricultural Guidance and Guarantee Fund was established in 1962 as part of the Common Agricultural Policy to promote structural adjustment in agriculture in the context of the overall reform of the CAP through measures to modernise production and develop rural areas. Between 1989 and 1993 it accounted for 17.6 per cent of overall intervention. The FIFG was established in 1994 and was granted 1.9 per cent of total resources. Finally, the Cohesion Fund was set up in 1993 to help prepare poorer member states for European Monetary Union and it is principally governed by a 'compensatory mechanism'. Before the most recent reform of the funds in 1999, in which much rationalisation was undertaken, there were seven objectives, four of which were regional and accounted for 85 per cent of funding, and 3 Community-wide, which accounted for 15 per cent. A share of 9 per cent of Structural Funds went to Community Initiatives, which are used principally to explore innovative approaches, and 1 per cent to fund technical assistance and other innovative measures. Now there are three broad objectives and three Community Initiatives. This thesis is primarily concerned with the ERDF because it is directly concerned with local development rather than the ESF which deals with training and human resources elements. Community Initiatives are also of interest, and in particular, the LEADER initiative.

From Redistribution to Cohesion

European Cohesion Policy evolved first, from the mere co-ordination of national regional policy measures in order to ensure conformity with the treaties (from 1973 to 1979), to second, creating specific Community funds for regional development (from 1979 to 1988) to third, attempts at a positive Community Cohesion Policy by amalgamating Cohesion Policy instruments with coherent programmes (from 1988 to 1993) (Keating 1995:13). A retreat to a more national style came about subsequently (from 1993 to 1999), and finally, an overhaul was scheduled ostensibly due to new and imminent member states, leading to rationalisation and the incorporation of efficiency considerations (in 1999). These development will now be examined in more detail. The nature of the original Cohesion Policy of the EEC stretches both the concepts of policy and cohesion to a considerable extent. Helmut Schmidt's characterisation of the European Regional Development Fund (ERDF) which constituted the Community's cohesion policy[28] is much more appropriate:

> "..a mechanism for redistributing finance clothed in a pair of bathing trunks with 'regional policy' painted on them" (Millan 1990:126)

This was the case in spite of the fact that from the outset, harmonious economic development had been a concern of the EEC as is evident from the regional dimension added to the Social Fund and the EIB in the Treaty of Rome. In fact, Cohesion Policy began to take shape only after the first enlargement in 1973 as a consequence of the potentially adverse effects of individual member states' regional policies on the very ethos of the Community, which was largely free market orientated. Initially, the policy had no specific rationale and was a rather haphazard affair since the very nature of the policy was to be an accompanying measure to the plethora of other functions and policies for which the EEC was responsible. Furthermore, it was linked to the political bargaining process of decision-making (Mawson *et al.* 1985). The ERDF, which appeared in 1975, was a paltry measure and certainly not the first step on the way to an integrated Community policy for regional development. In the words of an anonymous Commission official,

> "[t]he Fund is an alibi for inaction, instituted because it was the only regional policy on which the Heads of State could agree" (George 1991:194)

The birth of the ERDF is to be seen in the context of the first enlargement (to the UK and Ireland). A favourable coalition of member states (the UK, Ireland and Italy) secured the fund and it was linked to their participation in the European Council (Ireland and Italy), as well as putting up with the ills of the CAP (the UK). The negotiations for the ERDF centred on three main issues: size, definition of eligible areas, and mechanisms for the

[28] Regional, Structural and Cohesion refer to one and the same thing.

allocation of assistance (Mawson *et al.* 1985:25). Loans from the EIB were also a part of this putative Cohesion Policy and a Regional Policy Committee was established to observe the development of the regions and advise the Commission and the Council. The problem at this stage was that national interests varied greatly due to the diversity of socio-economic conditions (Kiljunen 1980:219). The way the ERDF was allocated, that is, according to regulation specific national quotas, illustrates the nature of this embryonic policy: the Community funded national measures and, most of the time Community funds replaced national spending and certainly did not constitute an additional source of finance.

Cohesion Policy began to gain momentum in 1977 in the wake of the *Commission's Guidelines for Community Regional Policy*. In 1979 the ERDF was reformed and a quota-free section was introduced. This section, which accounted for 5 per cent[29] of total spending, entailed a Community dimension for the first time as it was to operate according to the Commission's own criteria. Despite the fact that it was a limited amount of money, this section enabled the Commission to innovate and introduce the so-called 'programme contract' which constituted a co-ordinated package of initiatives agreed between the Commission and member states, and targeted at a specific regional problem (Armstrong 1989:176). However, there were no contacts with sub-national actors. Furthermore, the quota system (absorbing 95 per cent of the fund) constrained the Commission's room for manoeuvre as applications went through national ministries on a project-by-project basis. Nevertheless, the first attempts at programming are evident herein, and a regional impact assessment system was set up in order to take into account the regional implications of other Community policies.

Several criticisms can be raised in relation to the ERDF at this stage. Firstly, it was inherently ambiguous as although it was supposed to alleviate regional problems of a structural backwardness nature, a quarter was spent in regions undergoing industrial decline (Latella 1990:235-43). This was because the system used to measure imbalances and the sectoral and geographical distribution of ERDF allocations were faulty. Secondly, Cohesion Policy was diluted by virtue of the fact that it sufficed for member states to present problems of industrial decline in order to avail of moneys. Thus there was no selective intervention (*ibid.*) nor control of applications (Croxford *et al.* 1987:26-8). Thirdly, the fund was simply too small to make any real impact. Fourthly, expenditure was not co-ordinated and grants were allocated *ad hoc* to individual projects. Fifthly,

[29] The Commission had initially proposed to allocate 13 per cent to the quota-free section but failed to secure agreement at the Council of Ministers.

there was no concentration of resources (*ibid.*). Tsoukalis explains the main, recurring problem with the fund:

> "It is highly indicative that for years the overwhelming majority of projects receiving ERDF assistance had begun before application for funds was made by national governments [as] in the attempt to achieve high absorption rates of funds allocated by the Commission, national and regional administrations were often tempted to sacrifice economic efficiency" (Tsoukalis 1991:214).

At this stage, regional problems were considered to be within member states and not between them which partly explains the lack of support for reform and the emphasis on drawing down funds as opposed to policy formulation.

Once again in 1984 Cohesion Policy was reformed. The Commission proposed that the ERDF should concentrate on two types of regional problems: regions characterised by structural under-development for which the quota section should be reserved; and regions in industrial decline or suffering from the adverse effects of Community policies for which the non-quota section was to be reserved and raised to 20 per cent of the ERDF. These proposals which, to a certain extent, presage the reforms carried out in 1988, were not accepted so readily and thus underwent modification. The final proposal resulted in the abolition of the distinction between quota and non-quota sections and the introduction instead of indicative ranges for each member state's share.[30] In essence, this meant increased discretion for the ERDF in financial allocation. Five absolute priority regions were identified and the concept of programming was introduced in two forms. First, Community Programmes were to be initiated by the Community to help solve problems affecting the socio-economic situation in regions: these generally involved more than one member state. Second, National Programmes of Community Interest (NPCI) were to be initiated by member states with the approval of the EC (Armstrong 1989: 177). Priority was given to the former and the Commission laid down criteria for evaluating both national and Community interest programmes. Moreover, the Integrated Mediterranean Programmes (IMP) were introduced in 1985 for France, Italy and Greece and constituted the first attempt at integrated planning. They were primarily intended to compensate for the adverse effects of the CAP in the Community's southern regions, (Tsoukalis 1991:215) and to boost economic development in Mediterranean regions exposed to competition from Spain and Portugal. As Bianchi (1993:49) illustrates.

> "[...] the IMPs have in many ways and for the first time instilled a proper planning attitude in regions where planning had been absent; they initiated an unprecedented institutional partnership among regional, national and Community authorities; and they have stimulated some genuine participation

[30] Regulation 1787/84.

> by local officials and interest groups in the decision-making process regarding the formulation and administration of regional social and economic policies".

He considers the IMPs to be "a major break with previous trends in the Community's regional policy and the precursor to the formulation of the Community Support Frameworks" (Bianchi 1993:49). The IMPs introduced three principles: integrated development, evaluation and control as well as a policy to be conceived and implemented at a pertinent geographical level (spatial concentration). Integrated Development Operations (IDO) were also introduced to resuscitate inner cities.

The 1984 reform was in some ways a big change in emphasis and procedure for the EC's Cohesion Policy. However, some fundamental problems and continuities remained. Firstly, although the introduction of the indicative range system was supposed to stimulate more applications and increase the Commission's discretion in order to render the ERDF less like a grant for national regional policies, the so-called "community interest" of applications was difficult to assess due to vague criteria. Secondly, the programme approach had a difficult teething period because of increased administrative costs. The costs stemmed from the stipulation that member states had to submit information on development in the assisted regions in a common format on a regular basis. Thirdly, infrastructure projects continued to receive the lion's share of spending. Fourthly, evaluation was difficult as was monitoring. On the basis of these problems, Mawson *et al.* conclude that the 1984 reform constituted "largely procedural changes to a marginal policy" (1985:46-55). However, the Commission did gain discretion, which was put to good use in the next reform. Furthermore, the period up to 1988 can be considered a trial period for further reforms as initial problems were taken into account in 1988. Not all problems were however catered for in the 1988 reform, as difficulties in the post-1988 period were already evident during the 1984 to 1988 period. It is to the 1988 reform, arguably the most important one in the development of the policy,[31] that the chapter now turns.

Paradigm shift

> "Policymakers customarily work within a framework of ideas and standards that specifies not only the goals of policy and the kind of instruments that can be used to attain them, but also the very nature of the problems they are meant to be addressing" (Hall 1993:279-280).

[31] Most authors concur on this point. See for example, Bailey & De Propris (2002).

The above interpretative framework refers to what Hall (1993) calls a policy paradigm. A policy paradigm, or the hierarchy of goals behind policy, is extremely influential because it is not open to scrutiny or questioning. The other components of policy, instrument settings and instruments can be modified without affecting the policy paradigm. A paradigm shift occurs when the above interpretative framework is altered and this often depends on the effects of exogenous factors on the power of one set of actors or the positional advantage of competing factions. Furthermore, it is likely to be preceded by a shift in the locus of authority over policy as well as policy experimentation and failure (*ibid.*). The 1988 reform constitutes a paradigm shift as the hierarchy of goals behind Cohesion Policy changed. In fact, European Cohesion Policy moved from a mechanism for inter-state transfers of moneys to a genuine Cohesion Policy. It was achieved through incremental alterations at the margins of policy throughout the 1980s. This last point is borne out by the fact that the Integrated Mediterranean Programmes contained many elements of the 1988 reform and can thus be seen as the harbingers of 1988. Furthermore, examining the policy from 1975, when the regional fund was instituted, until 1988, it becomes evident that the Commission was attempting to bring about changes that were often blocked at the Council of Ministers. Favourable circumstances had a lot to do with the pulling through of these reforms in 1988. For instance, the reform must be seen in the context of the Single European Market (SEM) project. In fact, Cohesion Policy became a constitutional provision in the wake of the Single European Act (SEA). The effects of the SEM were generally perceived to be positive for core as well as periphery areas of the Community as is evident in the *Cecchini* report on the internal market. In fact, *Cecchini*'s conclusions demonstrated a rather sanguine view and if it had been the only report to emerge in this period, perhaps the Commission's proposed reforms would not have been so readily accepted. In contrast to *Cecchini*, the *Padoa-Schioppa* report commissioned by the Commission was less optimistic and displayed some degree of caution with regard to the effects of the internal market in the absence of policies to enhance the competitiveness of the less developed areas of the Community. Thus, *Padoa-Schioppa* favoured the Commission's proposals for reform and legitimised its initiatives. The reform also has to be seen in the context of enlargement with the addition of the Iberian Peninsula to the coalition of less developed countries. Hence, now more than ever a cohesion policy was necessary. The shift in regional economic development theory from large scale infrastructure projects and from an emphasis on exogenous development to endogenous development, which required the participation of local actors, favoured the Commission's new approach and provided yet another rationale for a paradigm shift.

The 1988 reform is therefore due to a several factors. It can be seen in terms of issue-linkage, as it is doubtful whether it would have come about in the absence of the SEM and the Commission was careful to link the two directly. George holds that the reform came about as a result of an "old-fashioned package deal", which fits in to the "general rule" dictating that "successful policies at the Community level have resulted from a commitment by the member states to a package of interlocking measures which has offered something to each of the participants" (1991:199-200). In this case all of the participants got "something" because the reform was tied to the SEM. A favourable coalition of member states with the addition of Spain and Portugal ensured peripheral state support for the Commission's proposals. The "paying" countries' support was secured because of the perceived advantages to be gleaned from the internal market. Furthermore, reduced Common Agricultural Policy (CAP) expenditure opened the way for more money to be spent on structural policy. Not to be overlooked however, is the policy entrepreneurship or leadership of the Commission, which exploited these favourable circumstances in order to push through its reforms.[32] As shall be seen below, these reforms increased the power and control of the Commission, provided an increasing role for sub-national authorities and, decreased the role of member states in the finer points of policy formulation once the broad objectives and spending limits were decided in the Council of Ministers. It is to the details of this reform that the chapter now turns.

The ERDF, the ESF and the guidance part of the EAGGF/FEOGA had been amalgamated and became collectively known as the Structural Funds with the Single European Act (SEA) in 1986. This amalgamation meant that they became more responsive to a strategic view (O'Dwyer 1993:19). The 1988 reform[33] emphasised the co-ordination of the funds and a new Directorate-General for Co-ordination (DG-XXII) was established. Funding was doubled from 7 billion ECU to 14 billion ECU for the first round of the Structural funds which ran from 1989 to 1993 and became known as *Delors I*. One of the principles of the reform was concentration, which meant that funds were to be targeted on specific objectives that classified the different regional problems (see Table 2).

[32] Hooghe and Keating explain the reform by the "presence of a winning coalition; leadership from the Commission; a policy rationale; and a value framework" (1995:373).
[33] The reform was based on five regulations which in turn were largely based on Articles 130d and 130e of the Treaty of Rome and became operational on 1 January 1989: framework regulation No.2052/88; coordinating regulation No.4253/88; and implementing regulations Nos.4254/88, 4255/88, 4256/88 (Mulreany *et al*, 1993:194).

Table 2: Cohesion Policy Objectives

Priorities	Meaning	Instruments to be used	Spending 1989-1993
Objective 1	regions whose development is lagging behind (GNP per capita is no more than 75 per cent of the EC average	ERDF, ESF, EAGGF guidance, EIB, ECSC (80 per cent of ERDF resources devoted to these regions)	77%
Objective 2	industrial declining regions	ERDF, ESF, EIB, ECSC	8%
Objective 3	assistance for the long-term unemployment	ESF, EIB, ECSC	#
Objective 4	occupational integration of young people	ESF, EIB, ECSC	9%
Objective 5a*	adjustment of agricultural structures especially production, processing and marketing structures in agriculture and forestry	EAGGF, guidance section	~
Objective5b	development of rural areas	EAGGF, guidance section, ERDF, ESF, EIB	6%

Legend: # - spending for Objectives 2 and 3 are taken together; ~ - spending for Objectives 5a and 5b are taken together; * - Objective 5 is to be seen in the context of the reform of the CAP.

The programme approach that had been tentatively introduced with the IMPs was consolidated and based on three elements: Development Plan, CSF, OP (O'Dwyer 1993:8-9). Table 3 outlines the programming process.

Table 3: From Development Plans to Operational Programmes

Development Plan	provided by the member states	to include -an analysis of problems -strategy -principal measures to be used -financial resources -assistance sought from the funds -anticipated private sector participation
Community Support Framework (CSF)	drawn up by the Commission	to include -priorities for joint Community and national action -a 3 to 5 year integrated programme
Operational Programmes (OP)	the basis for Community assistance	

A crucial principle[34] of the reform and one that has given rise to much academic analysis is the principle of partnership. Partnership refers to the

[34] Subsidiarity is also supposed to be a principle of *inter alia* EU regional policy. No attempt will be made here to debate the meaning and consequences of this political principle for two reasons. Firstly, it is an example of language "bearing multiple meanings" (Golub, 1996:1) and thus means different things to different people. Secondly, it applies exclusively to Community/Union-member state relations at the request of the majority of member states. Since this thesis is not concerned with either state-Community relations or the way the power pendulum swings, this principle, as defined by the EU, is not relevant here.

> "close consultation between the Commission, the member state concerned, and the competent national, regional, local, or other competent authorities designated by the member state on a national, regional, local, or other level, with each party acting as a partner in pursuit of a common goal" [emphasis added] (European Commission 1989).

It is supposed to be taken into account in the preparation, financing, monitoring and assessment of the effects of structural measures. This principle had several consequences for the operation of Cohesion Policy in institutional terms and in terms of power distribution. Firstly, it was institutionalised "by way of a cascade of co-decision committees and supporting rules" bringing several actors in the policy process (Hooghe 1995:4). Secondly, in terms of power distribution, partnership constituted "the most sustained and most comprehensive effort to bring together policy actors at different levels of governance" thus giving responsibility to actors previously excluded from the process (*ibid.*). Evidently, the operationalisation of partnership varied from state to state and depended to a large extent on existing power structures as well as the degree of decentralisation. Furthermore, it is up to member states to designate the competent authorities.

Although additionality was not a new principle and had been introduced with other reforms, it was a slippery principle and there were no mechanisms to ensure it was adhered to. It essentially means that Structural Fund finance should "induce additional investment, not simply substitute for domestic investment" (Matthews 1994:22). Hence it is supposed to ensure that the funds have a

> "genuine additional impact in the regions concerned and result in at least an equivalent increase in the total volume of official or similar (Community and national) structural aid in the Member State concerned, taking into account the macro-economic circumstances in which the funding takes place" (European Commission 1989:31).

Conditionality, which means that funds are not simply doled out to member states to use as they please, had been introduced earlier but was enshrined in the 1988 reforms. It meant that funds had to be invested according to the framework of Commission policies (Matthews 1988:181). In this way, the Commission was to be saved from being caught up in the details of minor projects. Conditionality was defined as

> "the Community's scope for ensuring that the objectives which it has set are complied with and thus making its assistance subject to its own consideration of effectiveness" (European Commission 1983:6).

Conditionality combined with additionality gives up another principle: complementarity. It ensured an increased power and status for the Commission (Matthews 1988:180-181).

The so-called Community Initiatives were introduced in the 1988 reform (see Table 4)[35]. The Commission holds responsibility for these trans-national, cross-border and inter-regional initiatives, which are characterised by an ethos of bottom-up development. They were aimed at resolving problems associated with other Community policies and were to receive between 7 and 9 per cent of total structural funding. Since the Commission controls them, it has gained in terms of room for manoeuvre to innovate.

Table 4: Community Initiatives

Programme	Objective	Budget in million ECU 1989-93
Rechar	conversion of coal-mining areas	300
Envireg	protection for the environment in lagging regions	500
Stride	improve innovation and R&D capacity of lagging regions	400
Interreg	prepare border regions for internal market completion	800
Regis	assist integration of most remote (overseas) regions	200
Regen	encourage development of natural gas and electricity networks in lagging regions	300
Prisma	improve infrastructure and business services in lagging regions	100
Télématique	encourage use of advanced telecommunications in lagging regions	200
LEADER	foster innovative approaches to rural development planning	100
Euroform	cultivate co-operation between educational authorities leading to new qualifications	300
NOW	support integration of women into the work-force	120
Horizon	aid economic and social integration of handicapped people	180

Source: Mazey (1995:85).

The LEADER programme is the most relevant Community Initiative of interest for this thesis because it is geared towards fostering an integrated approach to rural development and is separate from the measures for rural development under the CSFs.

In terms of Cohesion Policy, 1988 represents a watershed. Thus, for the purpose of this study, it is considered the most significant reform for a number of reasons. Firstly, by creating direct links between the Structural Funds and regional institutions, centralised decision-making was challenged within member states (Marks 1992:213). In decentralised states, regional authorities acquired more input into the policy process and other local actors were also included. Thus the importance of the role to be played by sub-national authorities was recognised. Although Marks (1992:213) claims that the reforms initiated a process of institution building that "in a narrow sense .. depoliticize[s] .. a key and growing policy area", the opposite is held to be the case here. That is to say, by stipulating the inclusion of multiple actors in the policy process, the policy area was

[35] Regulation No.4254/88

removed from the reserve of national governments and the Council of Ministers. The process was no longer exclusively inter-governmental or supranational. Of course, funding was still decided at the Council of Ministers and the Commission laid down the 1988 regulations. However, the policy became more visible and more politically salient at a sub-national level and hence at a local level it became more rather than less politicised. Much has been written on the Commission's strategy in this regard. Matthews (1988:180-1) holds that it sought to maximise its power and status while Marks (1992:213) maintains that it sought to "technocratize" Cohesion Policy in order to control it further. Jones sees the Commission's strategy as one of encouraging regional lobbyists to generate institutional innovations at a regional level. He calls this process "leakage" which refers to the increasingly important role for sub-national authorities informally as opposed to formally (Jones 1985:235-6). This is evident in the fact that most member states adjusted administrative organisations in accordance with the rules laid down by the Commission (Bianchi 1993:39). The novel stipulation of monitoring resulted in the creation of monitoring committees composed of Community, national, regional and local actors (Coombes & Rees 1991:214). This resulted in the *de facto* delegation of control to the regional level.

Some problems also emerged with the operationalisation of the reform. First, the ERDF operation as well as the operation of the other funds has shown up the lack of efficiency of some regional and national administrations or what Grote (1995) has called, "competence disparities". This is because the partnership relationship was to a considerable extent dependent on existing institutional structures. Taking this argument further, the implication is that decentralised and functioning administrations are at an advantage as institutional structures exist for them to implement partnership and hence perform better, while unitary states with functioning or dysfunctional administrations are at a disadvantage as they do not have the kind of institutional structures necessary to implement partnership and hence perform badly in relation to Cohesion Policy. In fact, Bailey and De Propris (2002:408) argue that

> "heterogeneity in the forms of local governance across the European Union has undermined the success of structural policies and therefore the achievement of the broader aim of economic convergence".

Second, the administrative limitations of the Commission were exposed because there was no concurrent alteration of the Commission's administrative procedures with the increase in its workload (Tsoukalis 1991:219-20). Third, often the programming approach proved to be too complicated, a point that was conceded in the mid-term review. This was once again because of capacity or capability disparities. For example, a state with an unwieldy bureaucracy such as Italy, which is accustomed to longer time

periods for public works etc. has many problems with Cohesion Policy and in particular, with meeting deadlines (for spending, committing etc.). Fourth, the Commission's Community Initiatives were criticised for being too dispersed in the mid-term review. The fact that they operate independently of the other programmes leads to overlap and confusion. Fifthly, the notion of "region" has deliberately been left vague with the result that regions are defined by member states.[36] In an extreme case, a state defined itself as a region (Ireland), thus apparently scuppering any (perceived or real) attempts on behalf of the Commission to encourage a decentralisation of administrative structures.

Maastricht, the Cohesion Fund and beyond

The *Treaty on European Union* (TEU or *Maastricht*) made cohesion one of the three pillars (the other two are EMU and the single market) of the EU, thus consolidating the EU's commitment to cohesion. It also provided for the Cohesion Fund in the protocol on economic and social cohesion. This fund was directed at peripheral *states* subsequently known as the Cohesion four (Ireland, Greece, Spain and Portugal). The policy emphasis was on environmental projects and trans-European networks. It came about mainly due to the intense pressure exercised by the Cohesion four (especially Spain) during the *Maastricht* negotiations. Once again it was linked to another Community policy, this time Economic and Monetary Union (EMU), and thus can be conceptualised as a side-payment or part of a package deal. Suffice it to say that it cannot be explained in the absence of some sort of issue-linkage. What is significant about the Cohesion Fund is the fact that it is directed at states not regions. Thus the unit of analysis for developmental purposes moved in the opposite direction to the 1988 reforms, that is to say, from region to state. It was justified by the fact that EMU regarded states and not regions. However, Gonzalez (the then *premier* of Spain) was responsible for this shift in emphasis as in this way, four states rather than multiple regions qualified for assistance. This put the reins of policy control firmly back into the central state's hands. It also led to the exclusion of Objective 1 regions such as the Italian Mezzogiorno. Interestingly, Italian policy-makers were not particularly vociferous in their objections to the state emphasis in the Cohesion Fund.

The state emphasis in the Cohesion Fund is consistent with the 1993 review in terms of a "retreat to a more national style of policy-making" (Hooghe & Keating 1994:386). First, this review resulted in the dilution of additionality rules and a narrow escape for

[36] The so-called NUTS - the nomenclature of regions - denoted three levels of regions for funding purposes and was to a certain extent meant to constitute a database of regional indicators.

partnership, which was becoming unpopular with member states (Hooghe 1997). Second, a committee on Community Initiatives was established and increased member state influence on these initiatives, which were previously the preserve of the Commission. Third, the role of member states in choosing social partners for involvement in various programmes was reinforced. Fourth, member states can produce a single programming document including their development plan and application for assistance rather than waiting for approval of the former, to accordingly draft the latter. This results in a simplified and less lengthy process. Finally, member states can draw up their own lists of eligible areas. Thus the 1993 review sees a shift of balance in favour of member states rather than the previous alleged alliance of the Commission and sub-national authorities.

Enlargement of the EU to Austria, Finland and Sweden in 1995 led to the tagging on of another Objective for sparsely populated areas (Objective 6), which was tailored to the latter two states as they are its sole recipients. Since 1988 therefore some piecemeal alterations have been made rendering Cohesion Policy unwieldy and blunting its objective of concentrating on the most backward regions. For this reason, in its policy document *Agenda 2000*, which was largely approved by the Council, the Commission made proposals for change. The first and major change is reducing the current seven Objectives to three. Objective 1 will still be for the most backward regions, defined as having GDP *per capita* of 75 per cent less than the EU average. A stricter application of this eligibility criterion is proposed but there will be a transitional period for ex-members of Objective 1 club.[37] Objective 6 is included in the new Objective 1. Objective 2 will be directed at economic and social restructuring in regions with structural problems such as economic change, declining rural areas, crisis-hit areas dependent on fishing and urban areas in difficulty. More geographical concentration is sought, thus there is an emphasis on local development. In fact, the Commission aimed to reduce the percentage of the EU covered by Objectives 1 and 2 from 51 to 35-40 per cent. In both Objectives, local employment initiatives and territorial employment pacts were to be priorities. Whereas Objectives 1 and 2 are territorial, the new Objective 3 is horizontal and deals with education, training and employment. Concentration is also a priority here and programmes will cover the four areas outlined in the European Employment Strategy: accompanying economic and social change, life-long education and training, active labour market policies to fight unemployment and combating social exclusion. Objectives 1 and 2 require a single multi-annual programming document, while states can submit a national programming document or a set of regional programmes for Objective 3.

[37] This is because previously some member states managed to obtain eligibility for regions that did not meet the criterion of GDP *per capita* less than 75 per cent of the EU average, such as Abruzzo in Italy.

Community Initiatives will also be cut from 13 to 3 dealing with cross-border, transnational, and inter-regional co-operation to promote harmonious and balanced spatial planning, rural development and human resources and equal opportunities.[38] The Cohesion Fund remains (available to member states with a GNP *per capita* less than 90 per cent of the EU average) and its "macro-economic conditionality" is reinforced. That means that Cohesion states must be eligible for the third phase of EMU and must comply with the *Stability and Growth Pact. Agenda 2000* also proposes a move towards more refundable aid such as venture capital holdings and thus proposes more co-operation between the EIB and the Structural Funds. Further, another principle has been introduced, that of efficiency. By retaining a reserve of 10 per cent to be allocated to the good performers in the mid-term of the programming period, the Commission aimed to improve performance. In relation to financial matters, the Structural Funds remain at 0.46 per cent of the EU's GDP as stipulated in Edinburgh, which for the years 2000 to 2006 comes to 275 BECU. Of this, 45 BECU goes to the acceding new states and the lion's share (210 BECU) goes to the existing fifteen. The Cohesion Fund is to be allocated 20 BECU. Over 60 per cent of funding was proposed for Objective 1 regions, a third for the other Objectives and Community Initiatives will account for 5 per cent (European Commission 1997). *Agenda 2000* therefore, attempted to tidy up Cohesion Policy. In so doing, some regions benefiting from Objective 1 funds in this current round will be progressively excluded. Accession of Eastern European states, which lag in terms of GDP below the EU average provided further rationale for excluding some states in the name of equity and efficiency.

The period from 1975 to 1988 was largely a static period in terms of Cohesion Policy. It gained considerable momentum with the reform in 1988 but due to a series of factors, this momentum began slowing down again in 1993 and until 2006 at least, Cohesion Policy will retain its current budget percentage. The period from 1988 to the present seems to be the heyday for concepts such as partnership, and sub-national actor involvement in EU policy. Whether this is the case in the case-studies will be examined in the two empirical sections. Before concluding this chapter, the increasing importance of local development will be briefly charted.

The Emergence of Local Development

Local development has become increasingly salient within EU Cohesion Policy. Until the 1990s, Cohesion Policy was about 'regions' and 'regional development'. Often however,

[38] They were, in fact, cut to 4: INTERREG (cross-border, inter-regional co-operation), LEADER (rural development), URBAN (cities) and EQUAL (equal opportunities).

regions refer to states (e.g. Ireland) and regional development refers to preparing states for EMU (the Cohesion four). Now local development is acquiring more importance than regional development because of links (real or perceived) with the prime EU policy concerns of the moment, namely unemployment.[39] Using the simple measure of the frequency of the adjectives 'local' and 'regional' in the Commission's document (May 1997) on *Priorities for the Adjustment of the Structural Funds to the end of 1999. Commission Guidelines* which attempts to encourage redirecting Structural Funds to employment measures in line with the increasing concern with EU unemployment, the former appears 25 times while the latter does 15 times. The memorandum from the Commission President concerning the *European Pact of Confidence for Employment* which constitutes the first progress report of the *White Paper on Growth, Competitiveness and Employment*, illustrates the new association between employment and local development at Commission level: regional appears 5 times and local 21 times. The Commission's *First Report on Local Development and Employment Initiatives* (November 1996b Working Paper sec (91)) further testifies to the policy linkage being forged between employment and local development at Commission level. In fact, Cohesion Policy and employment are being linked and local development has been earmarked as the most innovative way of dealing with employment. Hooghe (1997) provides evidence that the employment agenda was tagged onto Cohesion Policy in order to ensure the survival of the latter which had been falling out of favour due to poor results in terms of real cohesion and in terms of policy effectiveness. McAleavey and De Rynck (1997) demonstrate that the Commission's Cohesion Policy search for partners is moving towards localities and away from regions. This is due to, *inter alia*, the increasing concern with territorial concentration of resources (as evident in *Agenda 2000* which cuts seven objectives to three), as almost all member states are 'on the take' from Cohesion Policy. Since the problem of unemployment has become an issue of major political salience and of huge economic and social consequence, the EU's (and the Commission's) legitimacy hinges on its tackling (or at least perceived tackling) in policy terms. The Luxembourg employment summit demonstrated the Commission's zeal (DG-V) in this respect as it managed (against the will of some member states) to impose guidelines on member states along the lines of the Maastricht guidelines for EMU, albeit without similar sanctions. Thus, the EU's legitimacy is tied to dealing with unemployment and since resources are scarce, unemployment has been stapled to the back of Cohesion Policy. The realisation that jobs are not created by economic growth

[39] De Rynck & McAleavey (2001:549) point to three developments in the 1990s that illustrate the increased concern for local deprivation: ERDF Article 10 and ESF Article 6 actions; URBAN Community initiative and the enhanced local targeting of Objective 1 and 2 resources.

alone, as well as the fact that the Commission, along with many left-wing-led governments, is not keen on sacrificing the EU's social model in favour of a US-type scenario, has led to an elevated emphasis on innovative solutions to unemployment through the 'third sector' or social economy which are generally locally-based and emphasise the role of SMEs.

De Rynck & McAleavey (1997; 2001: 551-553) offer four different explanations for this shift from regional to local concerns centred on structure, actors, institutions and policy. First, horizontal networking by cities has been accompanied by a process in which disparities appear at a more micro level. Second, increasingly political importance of local office-holders leads them to attempt to perform on a European stage. Third, endowing local actors with more responsibility is a way of taking blame from the European Commission *etc*, for unsuccessful policies. Fourth, social and employment issues have assumed increasing importance in the European Commission's policy hierarchy and the European Commission is seeking to shift the focus of policy at the margins away from purely distributive to redistributive actions given its inability to alter the Cohesion Policy paradigm *tout court*. Having a local focus better enables targeting specific functional groups which guarantees a redistribution of income and consequently, social cohesion, especially given the implications of enlargement for Cohesion Policy (*ibid*). A fifth explanation could relate to the wish to bridge the gap between EU institutions and its citizens: increasingly local projects are more relevant to citizens and generates awareness of and therefore support for EU activities. The increased involvement of increasingly disparate and numerous actors, due to the high transaction costs the Commission sustains in partnership arrangements, could lead to it progressively decreasing its involvement and national bodies acquiring a greater role once broad guidelines have been set in Brussels (*ibid.*). This could also ultimately lead to a lesser role for regional authorities.

Conclusion

Even though Cohesion Policy has its genesis in the logic of intergovernmental redistributive bargaining, in practice it became a powerful institution building tool for the European Commission. Moreover its *raison d'être*, that is to compensate for uneven growth, has not diminished in the sense that convergence of development has not occurred. In fact, in the EU growth has tended to be concentrated (Rodríguez-Pose 1994)[40] and some EU policies have intensified spatial disparities[41]. European integration,

[40] Rodríguez-Pose (1994) illustrates that while peripheral member states have experienced growth, their internal peripheries have not.

the single market and economic and monetary union imply greater spatial imbalances and the necessity for stronger policy measures to offset divergence among regions (Amin 1992; Rhodes 1995). This has led to an increasing premium on concentration of resources, which, in turn, has led to the emergence of an important emphasis on local development within Cohesion Policy. That which currently constitutes Cohesion Policy still owes much of its framing to the period in the late 1980s, when the Commission

> "managed to redefine the meaning of cohesion policy [sic] away from a compensatory *juste retour* logic towards its stated regional development function" (De Rynck & McAleavey 2001:549).

This chapter has given an account of the development of Cohesion Policy from the 1970s to the most recent reform in the late 1990s. It provided a necessary context to understand how this policy is translated in different 'regions'. While Chapter 1 elucidated the various mechanisms of institution building of Cohesion Policy's delivery system, this Chapter has put these mechanisms in context. The next section explores our case-studies during their first experiences with Cohesion Policy.

[11] We refer to the CAP, which contradicts Cohesion Policy as its price support mechanism tends to favour large farmers, and the EU's research and technology policy: "The EU technology policy has served to strengthen the R&D capacity of the advanced regions which house Europe's largest IT firms or innovative-intensive firms" (Amin & Tomaney 1995:176; Bullman 1994; Grote 1993).

SECTION II

THE INITIAL YEARS OF COHESION POLICY IMPLEMENTATION: ESTABLISHING MISFIT

Chapter 3

Ireland: Pragmatic Adaptation to Policy

Introduction

Ireland has experienced remarkable economic growth over the last decade or so. The following quotes from *The Economist* attest to the rapid change in the Irish economy form the 1980s to the 1990s. First, in the 1980s:

> "Take a tiny, open, ex-peasant economy [Ireland]. Place it next door to a much larger one, from which it broke away with great bitterness barely a lifetime ago [Britain]. Infuse it with a passionate desire to enjoy the same lifestyle as its former masters, but without the same industrial heritage or natural resources. Inevitable result: extravagance, frustration, debt". (16 January 1988)

Second, in the 1990s:

> "Ireland's economy has surpassed Britain's and now stands close to the average for the European Union. [...] Ireland has been growing at an East Asian rather than West European pace. [...] Europe's shining light. [...] Europe's tiger economy. [...] An astonishing economic success [...] one of the most remarkable economic transformations of recent times: from basket-case to 'emerald tiger' in ten years. [...] The recipe for success was complicated, with unusual and sometimes uniquely Irish ingredients" (17 May 1997).[42]

In terms of EU Cohesion Policy, the whole of Ireland was an Objective One region until this current programming period (2000-2006) when the county was divided into two regions: the south and east are now in Objective 1 in transition, and the north, midlands and west remain in Objective 1. The European Commission has been very successful in building institutions in Ireland, which was hitherto highly centralised in terms of development policy. From a situation of significant initial misfit – an overwhelmingly centralised state and a dearth of any kind of territorially based policies – Ireland adapted surprisingly quickly to EU requirements generally, and in relation to local development in particular. It is quite remarkable that such a centralised state managed to put in place local development structures so quickly. Chapter 5 considers this institutional change,

[42] For a less sanguine view, see Brennan (1997).

but first this chapter seeks to establish misfit between Cohesion Policy and domestic development policies. It does so by outlining Irish experience with development policies prior to Cohesion Policy and then setting out initial experience with the ERDF. It concludes with a discussion of the elements of misfit. Chapter 5 goes on to examine Ireland's experience with local development in detail.

Indigenous approaches to development: national *versus* local dimension

The years subsequent to Irish independence were marked by an economic war with Britain and a wholesale embracing of autarchic policies. In the late 1950s when these proved to be an unmitigated disaster in terms of growth, the political class endeavoured to steer the economy towards 'modernisation' and the competitive trade environment of the then EEC. In order to steer and co-ordinate national development, planning was introduced within the context of three programmes for economic expansion (1959-63, 1964-70 and 1969-72). These programmes coincided with general growth conditions in the global economy and stable government, both of which provided suitable terrain for implementation. In fact, the period from 1958 to 1973 has been called the "Irish miracle" (Jacobsen 1994:3). Alongside the new free trade ethos, there was a general increase in public expenditure to generate a more efficient social and physical infrastructure for modernisation and a fiscal policy for sustained economic growth in the 1960s. Growth in the economy, high rates of foreign industrial investment (FDI) and tax increases funded the programme (Brunt 1988: 18-19). The Industrial Development Authority (IDA) was reorganised in 1969 to act as an "autonomous state-sponsored body with overall responsibility for administration of grants and the promotion and planning of industrial development". It became the *de facto* central planner. The 1970s also saw Keynesian demand management gain prominence and consequently public spending continued to rise in order to provide services comparable to other European states, and to meet demands of a growing population. Capital programmes to encourage industrial and agricultural performance and the increase in unemployment contributed to the surge in expenditure so much so that by 1978, it had risen to the equivalent of a half of GNP. From 1975 current budget deficits became endemic, as did borrowing on a substantial scale to finance current expenditure (Brunt 1988:19). In 1977 the newly elected government embraced a highly expansionary programme and created the Department of Economic Planning and Development to steer and promote national development. A White Paper, *National Development, 1977-80* was published in 1978 and along with a 'give-away' budget in the same year created boom conditions within Ireland. All of this was at the expense of the Public Sector Borrowing Requirement (PSBR) and foreign and total debt

burden.[43] Industrial policy centred on the attraction of export-oriented foreign enterprise (so-called export-led industrialisation) through a range of financial and fiscal incentives, and thus the Export Profit Tax Relief scheme was born. Indigenous entrepreneurs were ignored by policy, however.

The first programme was "a bundle of vague, exhortatory statistics and succeeded through little fault of its own" (Jacobsen 1994:74) but due to favourable international circumstances. The second programme featured input-output tables, an iterative methodology, and a "first programme afterglow which was a force in itself" (Jacobsen 1994:80). The development strategy has been described by Jacobsen (1994:85) as 'paying and praying', "that is, *paying* foreign firms to locate in the Republic while subsidising improvement of local firms, and *praying* for EEC admission which would boost agricultural fortunes". The third programme concluded that the second was overly concerned with detail and sought to be more selective and modest about goals (Jacobsen 1994:91).

In 1973, the IDA opted to concentrate its energies on the electronics and chemical sectors, which had to be virtually completely imported (Lee 1989). It took advantage of EEC entry to persuade foreign firms to establish branches in Ireland. The changes in the international and national environment in the late 1970s instigated a review of the industrial programme, which was undertaken by NESC[44] in six major reports published between 1981 and 1983. The most important one was that authored by Telesis, an American consultancy group (1982), which was highly critical of existing policy, submitting that the fiscal and financial incentive package was unnecessarily generous as it favoured capital formation rather than employment. Further, it held that indigenous enterprise and natural resources were short-changed. Government policy attracted FDI and created employment but it failed to address the constraints on the development of the manufacturing industry in Ireland. The 1980s economic recession, which reduced the amount of international investment, exposed the fragility of a system based on excessive dependency on foreign capital to maintain internal growth and challenged policy to tackle the constraints on self-sustaining development (Brunt 1988:31). A government White Paper on Industrial Policy (1984) followed and made two changes. First, maximising net domestic value added which would induce additional employment

[43] From net creditor nation in the early 1970s, the debt rate rose to 21 per cent of GNP in 1979 (Brunt 1988:20).
[44] The National Economic and Social Council provides a discussion forum of principles relating to the development of the national economy and achieving social justice and advise the government through the Taoiseach's department. It is made up of social partners (IBEC, CIF - employers, ICTU - trade union and agricultural organisations) and eight government nominees.

through its multiplier effects rather than employment *per se*, became the primary objective of industrial policy. Second, attention switched from the international competitiveness of the export industrial sector to the entire industrial sector and thus finally recognised the value of indigenous enterprise and the major loss of employment and wealth creation through import penetration and the poor linkages of foreign plants in Ireland (Brunt 1988:32; Boylan & Cuddy 1984).

In the early 1980s, Ireland was suffering from a growing macroeconomic crisis with a balance of payments deficit running at 14.6% of GNP (compared with 5.3% in 1977) and inflation at 20.4%. The absence of growth between 1982 and 1986, and growing indebtedness (125% of GNP in 1987) showed up the failure of macroeconomic policy. The year 1987 marked the beginning of fiscal retrenchment on the heels of political consensus on the measures to be taken. The early 1990s witnessed the devaluation of sterling and the consequent defence of the Irish pound through high interest rates by Irish authorities which stifled domestic demand (Murphy 2000:10-12). The Industrial Policy Review Group completed a review of Industrial Policy, otherwise known as the Culliton Report in 1992 which confirmed the continued existence of the problems outlined in Telesis.

Murphy attributes the turn around in the economy, described in the second *Economist* quote, to the gradual effects of the coalition of globalisation and Europeanisation. In fact, the IDA's wager on chemicals and electronics in the 1970s paid off in the 1990s. Low corporate tax rates (0 per cent on profits of manufactured exports and later a 10 per cent corporate tax rate on manufactured profits and internationally traded services profits) also played a significant role. These tax facilities were made possible by virtue of the lack of industrialisation in Ireland (Murphy 2000:13). Multinationals have shown a preference for English speaking European countries within the Euro zone as opposed to those outside (UK). US investment tripled between 1991-93. In 1997, Ireland 'ranked fifth in the world as a destination for US direct investment outflows (OECD quoted in Murphy 2000:14). The current economic boom is essentially based on (US) multinationals which are no longer 'cathedrals in the desert' but are tied into the local economy.

Table 5: Foreign and Domestic Manufacturing Employment 1973-1985

Source	1973	1980	1985	1973-85		1993	1996
Britain	26.932	22.652	14.100	-12.832	-47,6%		
USA	14.935	32.563	36.500	21.565	144.4%		
Other	17.025	26.753	27.773	10.748	63,1%		
All foreign	58.892	81.968	78.373	19.481	33.1%	88.836	106.410
Domestic	158.400	166.300	134.857	-23.543	-14.9%	111.167	120.224
Total	217.292	248.268	213.230	-4.062	-1.9%	200.003	226.634
Domestic	72,9%	67,0%	63.2%	579,6%	795,1%	55.6%	53.0%
Foreign	27,1%	33.0%	36.8%			44.4%	47,0%

Source: Brunt (1988: 24); Murphy (2000:28)

Figure 4: Employment Make-up in Ireland 1973-1996

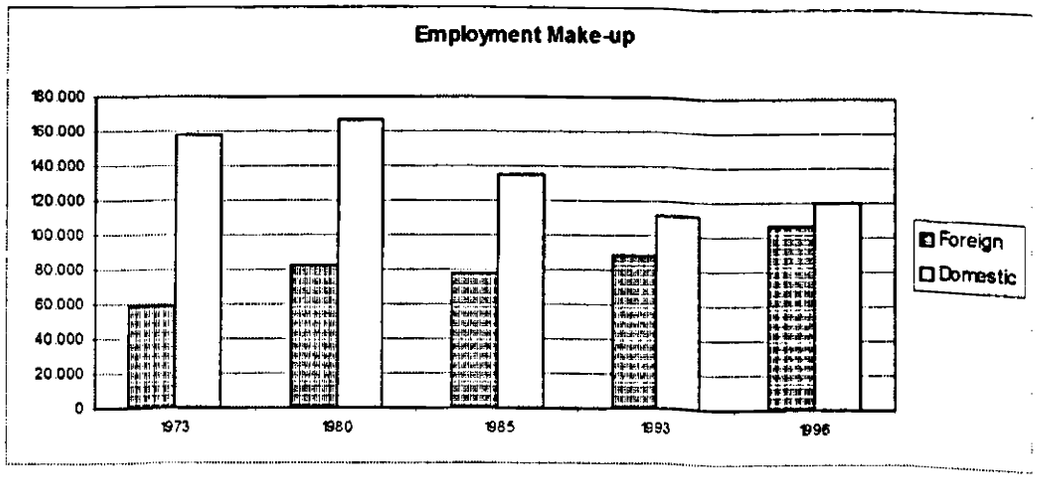


Figure 5: Economic Growth in Ireland 1975-1999

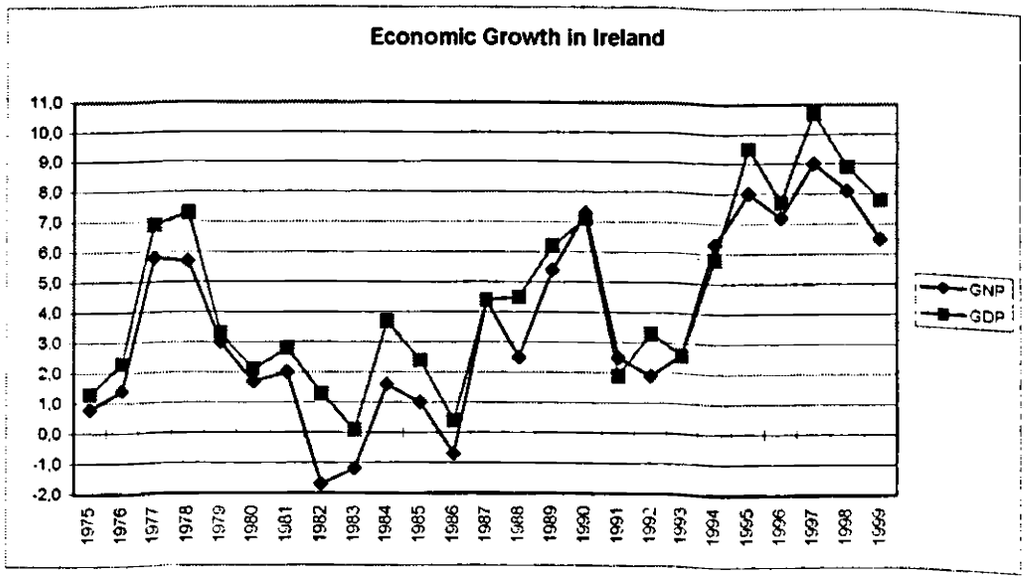
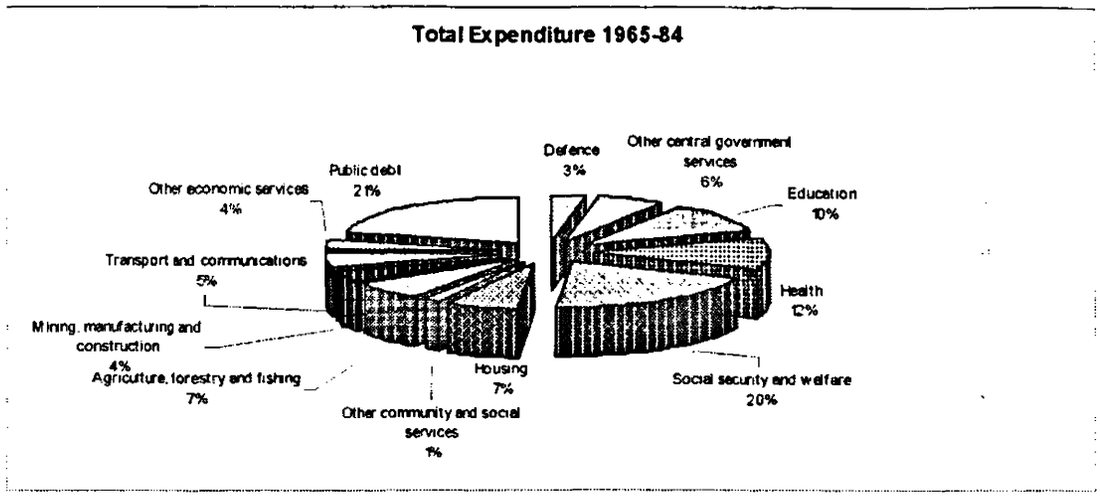


Table 6: Central Government Expenditure by purpose and economic category 1965-84

	IR£ 1988 prices					
Spending item	**1965-66**	**1970-71**	**1975**	**1980**	**1984**	**Total**
Defence	14.100.000	22.400.000	67.100.000	176.300.000	262.600.000	542.500.000
Other central government services	23.300.000	37.900.000	126.300.000	320.900.000	607.800.000	1.116.200.000
Education	39.800.000	81.300.000	222.200.000	553.700.000	980.300.000	1.877.300.000
Health	15.600.000	42.700.000	213.600.000	697.300.000	1.102.400.000	2.071.600.000
Social security and welfare	57.600.000	119.100.000	389.600.000	925.400.000	2.133.900.000	3.625.600.000
Housing	21.900.000	37.000.000	139.100.000	371.300.000	626.000.000	1.195.300.000
Other community and social services	4.600.000	8.100.000	26.700.000	71.500.000	142.100.000	253.000.000
Agriculture, forestry and fishing	60.700.000	107.400.000	179.400.000	330.000.000	509.100.000	1.186.600.000
Mining, manufacturing and construction	15.700.000	32.000.000	82.900.000	261.500.000	361.000.000	753.100.000
Transport and communications	25.600.000	42.400.000	131.900.000	345.900.000	359.300.000	905.100.000
Other economic services	6.900.000	15.900.000	183.800.000	168.800.000	302.500.000	677.900.000
Public debt	38.000.000	88.600.000	217.400.000	1.082.900.000	2.367.700.000	3.794.600.000
Total expenditure	323.800.000	634.800.000	1.980.000.000	5.305.500.000	9.754.700.000	17.998.800.000

Source: Brunt (1988) National Income and Expenditure tables

Figure 6: Total Expenditure 1965-84



Thus, Ireland did not have an extensive pre-Cohesion Policy experience of territorial development policy. Ostensibly due to the developmental backwardness of the entire economy vis-à-vis first the UK and then the EEC, territorially differentiated policies got scant attention. The most salient example of the failure or absence of territorial development policies is the massive growth of the East region dominated by Dublin which is vastly out of proportion with the size of the country (the population of Ireland is 3.5 million and 1.5 million live in Dublin – almost a city-state). Dublin's growth has been matched by depopulation in the west region. Yet, some of the principles that Cohesion Policy introduced in the 1980s did emerge, albeit on paper: for example, the inclusion of relevant actors. These principles were more difficult to guarantee in practice, as it

happened. This is not because internal territorial policy problems have not been recognised. In fact, there would appear to be a significant degree of fit between Irish policy ideas at this stage and Cohesion Policy. For instance, in 1964 the Second Programme for Economic Expansion had a separate chapter on rural development, which underlined the need for an integrated multi-sectoral approach and collaboration between statutory and voluntary actors, as did the Third Programme in 1969. Moreover, the Inter-Departmental Committee set up in 1961 to deal with agricultural problems in the west of Ireland pointed to the dearth of community initiative, a factor crucial to rural development. County Development Teams[45] were set up in 1963 in the West and later in other parts of the country in response to the Inter-Departmental Committee's recommendations. A government White Paper in 1971 recommended setting up local community councils at a sub-county level for local development. A change in government impeded this recommendation from going any further. So "in terms of policy ideas, though not so much in the implementation of operational measures, Dublin's official thinking was in many ways as advanced as that now emanating from Brussels" (Commins & Keane 1994:104). A further tenuous institutional element of fit can be evinced in the drive for regionalism in the 1960s and 1970s when nine planning regions were created and given the onerous task of co-ordinating physical planning; and subsequently in 1969 the Regional Development Organisations were set up without executive authority but with co-ordination responsibilities. The advent of EEC membership led to a policy retrenchment as any area-based emphasis was scuppered and rural development policy was delegated entirely to the CAP. Moreover, regional issues were shelved in favour of a centralised administration of Structural Funding.

On the other hand, misfit would appear to obtain in institutional terms as Ireland was highly centralised and certainly did not have anything like multi-level governance, and in policy terms due to the lack of territorial development policies. Further elements of misfit include lack of policy practices such as multi-annual programming of resources, monitoring and evaluation that form such an important part of Cohesion Policy. The chapter now turns to initial experiences with EU Cohesion Policy in order to ascertain whether misfit continues to obtain.

[45] The CDTs were representative of the main public sector agencies and were chaired by the County Manager. They were co-ordinated by the Central Development Committee of the Department of Finance. They had no real authority or financial clout even though they were made responsible for economic development and its innumerable off-shoots (Commins & Keane 1994:105).

EU Membership and Aspects of Cohesion – the Initial Years

Ireland joined the EU in 1973 and the then government classified the entire country as one region for structural fund purposes. This was to be a very significant move in relation to the implementation of Cohesion Policy in Ireland as EU authorities effectively dealt with one putative 'regional authority' which was a national government ministry – the Department of Finance.[46] In this way Cohesion Policy implementation in Ireland followed a very centralised pattern with all applications for and allocations of funding being channelled through Finance. Since transfers from the EU have been quite substantial – Ireland has been the biggest net beneficiary in *per capita* terms, receiving monies to the tune of 3 to 5 per cent of GDP – Structural Funding and Cohesion Policy have become salient political issues that are jealously guarded by the centre[47] and especially Finance. The classification of the country as one region also betrayed the official conception of regional[48] policy within Ireland: it was seen as synonymous with industrial policy and thus devoid of a territorial basis.[49] In fact, very few policies had any area-based approach. It is safe to say that national development has always taken precedence over regional development, and alleviating internal differences has been of lesser importance than catching up with other EU members.

Ireland's predominantly agriculturally based economy meant that the allure of a generous Common Agricultural Policy greatly influenced its decision to accede to the EEC.[50] In fact, Ireland has made the most financial gains from the EU through the Common Agricultural Policy's (CAP) price support mechanism. This price support mechanism proved to be an incentive to postpone the structural reform of Irish agriculture, and the CAP became the single most important focus of Irish agricultural policy (Brunt 1988:174). In other words, rent-seeking was preferred to structural reform.

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[46] Ministries are also called Departments in Ireland. The Department of Finance hereinafter will be referred to as Finance (with capital letters) and the same applies for other government departments/ministries.

[47] The administration of the Structural Funds in Ireland until 2000 was as follows: overall control as well as control of the ERDF rests with Finance, the ESF with Enterprise and Employment and the guidance section of the EAGGF with Agriculture.

[48] The term region is defined in a broad sense as a territorial entity for development purposes defined as such administratively, unless otherwise specified. Regional policy in a general sense, therefore, denotes some form of area-based development policy.

[49] In the first National Development Plan (1989-93), regional development was mentioned only in relation to industry but without reference to specific regional measures. The potential contribution of other sectors such as agriculture, forestry, transport etc. was not given any explicit consideration (Walsh 1995:56).

[50] This was not the only reason for Irish entry to the EEC. The British decision to enter proved to be a resounding motivation as Irish exports were hugely dependent on the British market.

Furthermore, the CAP's operation in Ireland has proved to be very inequitable[51]: 20 per cent of farmers receive 50 per cent of support payable to Ireland. This is because the price support mechanism is geared towards output and hence better-off farmers receive more support. Thus, the CAP - against its redistributional ethos - has contributed to the worsening of development disparities within rural Ireland (O'Donnell & Walsh 1995:14-15). Moreover, it has encouraged a dependence on subsidies through distorted incentives such as headage payments, which promoted a shift to sheep farming which is unproductive and has caused untold environmental damage. The tendency, stimulated by policies such as the CAP, is therefore to engage in directly unproductive profit seeking[52] and resources are directed to political bargaining with Brussels rather than innovative policy at a national level. The CAP has also been damaging in other ways. It has been linked to the decrease of rural community groups in the 1970s and 1980s for two reasons. Firstly, it is geared towards individuals not to organisations that plan strategically. Secondly, the sense of co-operation among farmers declined as yields depend on directives emanating from an outside agency (OECD 1996:73). These are examples of the perverse effects of a policy putatively geared to the development of rural areas: the destruction of collective action and social capital in rural areas as well as the promotion of rent-seeking for short-term gains instead of instigating structural reform which would have long-term benefits. In the wake of EEC entry, Irish rural development policy wholeheartedly embraced the ethos of the CAP in that the maintenance of farm incomes took precedence over structural reform. Modernisation of farming within the context of the CAP exacerbated the inequality within agriculture. As Brunt (1988:22) outlines, "a price policy, by supporting output, favoured those enterprises better able to maximise production and had less impact on small-scale operations".[53]

Initially the ERDF was used to increase capital resources and constituted a payment to the Public Capital Programme. Subsequently, spending on transport infrastructure dominated since more funds existed for infrastructural development, and thus receipts were maximised. This brings to light an important point in relation to the Irish implementation of EU Cohesion Policy, that is, development programmes and plans have generally been tailored to match the criteria of Community schemes as opposed to being

[51] The CAP's inequitable nature is apparent on a European scale also: "[..] not only does two-thirds of the Community's budget not have the aim of redistribution towards the less favoured regions but much of it actually distributes resources away from them" (European Parliament, 1991:iii).
[52] For a discussion of these terms, see Millock & Olson (1992:62-5).
[53] Moreover, the Irish Court of Auditors' Annual Report (November 1997) found that IR£19.5 million was paid out to 15 large-scale cereal farmers (an average of IR£1.3 million each). The report also "appears to suggest that the reform programme has failed to limit overproduction and it has failed to redirect more funding towards the smaller farmers" (*Irish Times*, 18 November 1997).

drawn up on the basis of an analysis of the country's perceived developmental needs (O'Dwyer 1993:19). The "eclipse of rural development" from public policy discourse from the early 1970s attests to this factor as rural policy was oriented to the CAP because of its financial allure (Commins & Keane 1994:111). The main aim is to "draw down" the maximum amount of funding from Brussels - and in this Ireland has been very successful - and to a certain extent, policy priorities tend to be formulated according to the amount of money available for such initiatives. As Laffan (1994:49-51) outlines, "more attention is paid to actually managing the politics of grantsmanship than to the economic or development process the grants are supposed to assist".

The First Community Support Framework

As Chapter 2 illustrated, the 1988 reform introduced programming and partnership and also required some institutional innovations such as working groups, monitoring committees, advisory groups and review committees in order to prepare and implement development plans. In Ireland, regional committees were set up to draft plans for the various regions for the National Development Plan under the first round of the Structural Funds. However, since membership of these committees has been decided by central government, channels for partnership have also been decided by it (Laffan 1989:47) which has led to an Irish style of partnership. These institutional innovations have thus been described as a "symbolic exercise" (Matthews 1994:49), "plain window dressing" (Laffan 1994:48), "superficial" (Tannam 1993:282) and "largely token" (Holmes & Rees 1994:12). In the end, the first Community Support Framework, following from the National Development Plan, was based on national sectoral programmes as opposed to territorially based ones[54] and the plans drafted by the regional committees were at best disregarded and at worst were not even read[55] (interview). Moreover, the Culliton report (1992:49) made the following remarks:

> "We have also observed a widely-held perception, in both the public and the private sectors, that the Structural Funds represent in some way 'free money from Brussels' the allocation of which requires to be less rigorously evaluated and accounted for than normal".

[54] This was done, according to An Taoiseach C.J. Haughey, on the grounds: "that the requirements of efficiency, effectiveness and expediency all demand that the National Development Plan and its Operational Programmes be implemented through the already existing structures with which everyone is familiar and that have evolved to meet the particular circumstances and population structures of this country" (ICEM 1989).

[55] Some of the regional plans had not even been submitted in Dublin when the NDP was submitted in Brussels. There were, however, time constraints which made any profound implementation of the 1988 reform difficult.

This section discusses the first CSF which ran from 1989 to 1993. Subsequently, some new local development structures that emerged in or around this period, some of which are more or less EU constructs (IRDPP and LEADER), and some of which originated separately albeit along the lines of European Commission thinking and were subsequently integrated into the second CSF (CEBs and ABPs), are reviewed. The first one, the Integrated Rural Development Pilot Programme was apparently conceived by Irish policy-makers and ran from 1988 to 1990. Later on it was extended for a further two years under the Operational Programme for Rural Development (1989-1993). LEADER[56], also a rural programme is a European initiative but falls outside the mainstream Community Support Framework and is one of the Community Initiatives controlled by the Commission. Thirdly, the County Enterprise Boards were set up by the Irish government and, through their parent department, they were subsequently given responsibility for the sub-programme on Local Enterprise in the Operational Programme for Local Urban and Rural Development (1994-1999). Fourthly, the Area-based Partnerships were also set up by the Irish government and (through their co-ordinating body) they too became responsible for a sub-programme in the Operational Programme for Local Urban and Rural Development: Integrated Development of Designated Disadvantaged and Other Areas. Other partnerships based on the ABPs were set up as a result of the Global Grant. But first we turn to the CSF.

The CSF consisted of four specific priorities: (i) Agriculture, fisheries, forestry, tourism and rural development, (ii) Industry and services, (iii) Measures to offset the effects of peripherality and (iv) Human resources measures. These priorities were articulated in 12 sectoral operational programmes. The Peripherality Operational Programme was the only one conceived of in spatial terms. However, it concentrated spending on transport and infrastructure, belying the assumption that improved access to peripheral areas resolves economic problems. Rural development was accorded an Operational Programme of its own, but the evaluation concluded that overall rural development spending (See Table 7) "has not been very effective in promoting rural development" (ESRI 1993:59).[57]

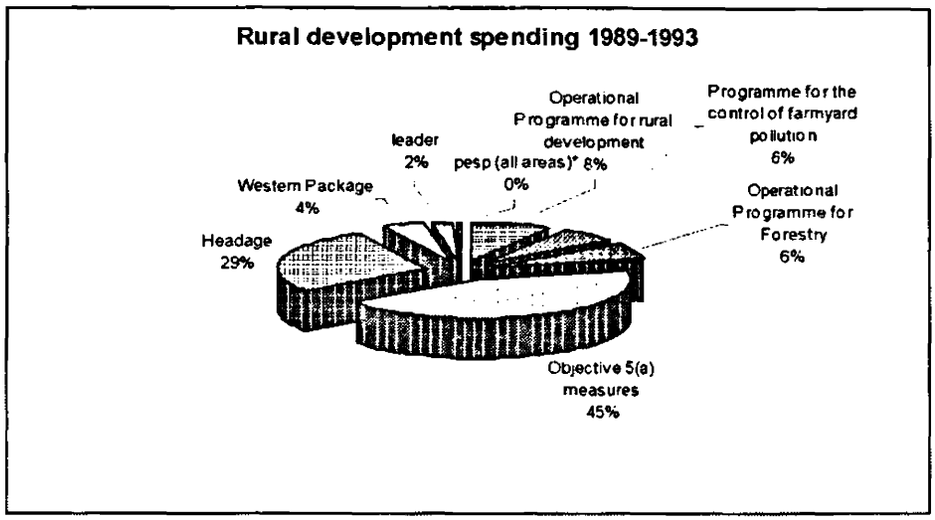
[56] LEADER is an acronym for Liaison entre actions de développement de l'économie rurale.
[57] Only a summary of the evaluation was published. Some quotes come from the unabridged version consulted at the ESRI's offices in Dublin and others from the published summary.

Table 7: CSF 1989-1993 spending on rural development in IR£ million

Policy	IR£m
Operational Programme for rural development	125
Programme for the control of farmyard pollution	96
Operational Programme for Forestry	94
Objective 5(a) measures	645
Headage	415
Western Package	65
LEADER	35
PESP[58] (all areas)*	7
Total	1,067

* National exchequer funded. Source: Kearney *et al* (1995:14)

Figure 7: Rural development spending 1989-1993



In fact, the evaluators conclude that local development issues were dealt with only in the Small and Community Enterprise and Agri-Tourism sub-programmes of the Rural Development Operational Programme. The evaluators had the following remarks to make.

> "The traditional and still dominant model [of local development] has been the encouragement of industrial, tourism and physical infrastructure development in designated regions. With the possible exception of LEADER, most of these measures constitute an approach to development which many refer to the 'top down' model.
>
> This approach is subject to many limitations. The main limitation derives from the dominant industrial policy strategy which has favoured the attraction of internationally mobile capital. These firms do not always establish strong roots within the regions in which they are located and

[58] The PESP (1990-93) – Programme for Economic and Social Progress – was the second national agreement between the government and the social partners and encompassed pay, taxation, public finance management, EMS parity, social policies and measures to combat long-term unemployment *etc.* It was the second such example of national partnership aimed at long-term planning after the Programme for National Recovery. It was followed by the Programme for Competitiveness and Work (1994-97) and Partnership 2000 (1997-2000).

experience has shown that they are highly susceptible to fluctuations in international demand which cause severe adjustment difficulties for the regions.

The dominant characterisation of the 'top down' model is that the ends, such as the numbers of jobs and income, are emphasised at the expense of the means. This is clear in the case of industrial policy but it is also the case with many other local development initiatives being implemented under the CSF. In the case of the Small and Community Enterprise sub-programme of the OPRD, for instance, the model operates by the prior selection of project categories at central administration level and the subsequent administration of funds to suitable applicants. The major criticism of this approach is that it is not concerned with establishing the seeds of a development process at local level. But even on its own terms it has drawbacks. It encourages wasteful rent-seeking behaviour, it can cause displacement of already profitable activity and it can lead to significant dead-weight costs in the sense that projects might have gone ahead without state assistance" (ESRI 1993:208-9).

The Industry Operational Programme had no "serious regional dimension" as there were no disaggregated targets for a sub-national level and no discussion of regional instruments (ESRI 1993:34). In the light of the sectoral thrust to the CSF, the evaluators recommended that a properly funded local development programme to reduce the pressure for dispersed development under the main economic development programmes and in order to maximise impact, be formulated for the subsequent CSF. In order to do this, for the rural part it recommended extending the IRDPP under the CSF 1994-99 and linking rural and local development in a sub-programme. The evaluation went on to propose that the CEBs or local authorities manage these local development structures (ESRI 1993:42-5). A critical issue for the evaluators was the simultaneous treatment of spending and financing issues and the lack of a systematic cost benefit analysis of public expenditure programmes. Major weaknesses of CSF procedures were "the introduction of essentially extraneous financing and procedural issues into expenditure decisions, the risk of segmented public expenditure decisions as between spending within the CSF and that outside it, and the *ad hoc* nature of some of the *ex ante* and *ex post* evaluations" (ESRI 1993:262). Although spending capacity was not a problem, the evaluators still recommended separating spending from financing decisions in the future in order to "free the discussion of the relative merits of different projects from pressure from these essentially redundant and distracting requirements from Brussels" (ESRI 1993:60-1).

Table 8: Categories of expenditure 1989/93 at 1994 prices in MECU

	Structural Funds	% total	EU & National public	% total
PRODUCTIVE SECTOR	1.696	37,0%	2.812	27,1%
Industry	623	13,6%	1.008	9,7%
of which RTD				
Agriculture, forestry, rural development	882	19,2%	1.555	15,0%
Fisheries	inc in agriculture		inc in agriculture	
Tourism	191	4,2%	249	2,4%
ECONOMIC INFRASTRUCTURE	1.027	22,4%	3.810	36,8%
Transport	832	18,1%	1.944	18,7%
Communications	26	0,6%	598	5,8%
Energy	14	0,3%	761	7,3%
Water/environment	155	3,4%	516	5,0%
Health				
HUMAN RESOURCES	1.809	39,4%	3.659	35,2%
Initial education/training/Youthstart				
Continuing training unemployed				
Continuing training employed				
Social exclusion	1.726	37,6%	3.498	33,7%
Supporting measures				
of which current				
Capital	83	1,8%	161	1,5%
Sectoral OP (industry etc.)				
Local urban and rural development	11	0,2%	19	0,2%
OTHER	46	1,0%	79	0,8%
Technical assistance	3	0,1%	4	0,0%
Pre-1989 projects/miscellaneous	43	0,9%	75	0,7%
TOTAL	4.589	100,0%	10.388	100,0%
Structural Funds				
ERDF	1.995	43,5%	1.995	43,5%
ESF	1.731	37,7%	1.731	37,7%
EAGGF	863	18,8%	863	18,8%
FIFG	0	0,0%	0	0,0%
TOTAL	4.589	100,0%	4.589	100,0%

Source: CSF (1989-93)

Figure 8: Structural Funds 1989-93

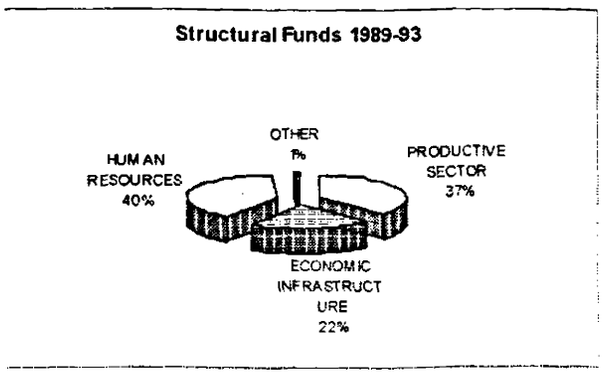
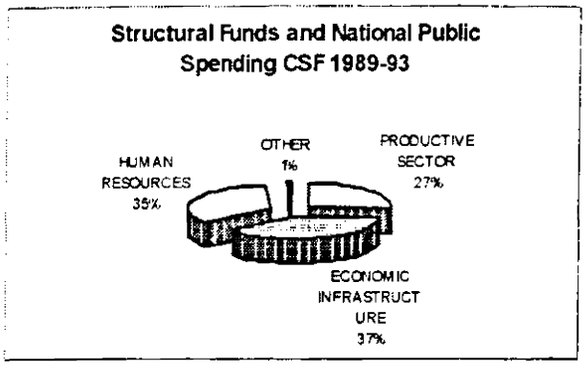


Fig 9: Structural Funds and Public Spending '89-93



Local development thus received scant attention under the first CSF and rural development was dealt with unusually. However, during the same period some other initiatives were emerging and it is to these that the chapter now turns.

Integrated Rural Development Pilot Programme

One of the first significant Irish innovations in the field of rural development policy was the Integrated Rural Development Pilot Programme (IRDPP) which ran from 1988 to 1990.[59] This programme was made available to 12 communities that had a population base of between 5,000 and 30,000. These groups' bottom-up initiatives were facilitated and co-ordinated by a planning team which included process and training consultants and support staff from the parent department (Agriculture and Food[60]) (Ó Cearbhaill 1992:124). The assumption behind the programme was that successful rural development required a reflection of local ideas, locals determining their own priorities and the ways in which to implement these, as well as an acceptance of responsibility for resultant actions. In this way, according to Ó Cearbhaill (1992:126), its philosophy "implicitly accorded with the principle of subsidiarity". A co-ordinator seconded by the Department of Agriculture was given the task of establishing and leading each core group which was made up of local leaders and took decisions based on their priorities. The co-ordinator was to help local communities to consider innovative development, advise them as to how to implement their initiatives and interface with development agencies and local voluntary organisations (O'Malley 1992). In order to facilitate a shared learning process horizontally among the 12 areas, twinning, networking and workshops were promoted. The training consultant assisted the 12 full-time co-ordinators who acted as links with

[59] It is not clear that this policy was conceived entirely by Irish policy-makers as the EU ran three IRD programmes in Belgium, France and Scotland in 1979 (Brunt 1988:128). Evidence suggests that the IRDPP was a copy of the European initiative.

[60] The Department of Agriculture and Food subsequently became the Department of Agriculture, Forestry and Food. Hereinafter it is referred to as the Department of Agriculture or simply Agriculture.

development agencies, technical supports and resource persons by imparting basic facilitation and communication skills to facilitate team building and motivation in each group (Ó Cearbhaill 1992:125-6). Despite the small expenditure involved - IR£1.5 million[61] for technical assistance - it mobilised a large voluntary effort. As is evident from the table below, the lion's share of projects had to do with tourism. This is a tendency that is replicated in the other local development programmes discussed below.

The programme aimed to promote development, not by providing direct financial assistance but by making effective use of existing financial resources, services and expertise. In fact, a television documentary suggested that it could prove more favourable to development were local groups not distracted by monetary considerations. While the evaluation was not made public, a copy was sent to the Commission for consideration in formulating European rural policy (Ó Cearbhaill 1992:126-7). The fact that the evaluation was not made public however, makes it difficult to report its impact in economic terms. In sum, the IRDPP "arguably demonstrated the benefits of co-ordination on the local level, the potential utility of a local development agency in marshalling dispersed resources and the ability of local groups to find imaginative responses to local problems when given sufficient room to manœuvre" (OECD 1996:44). The IRDPP, in its original format remained a pilot programme, although LEADER to a certain extent, represents the European version of the programme.[62] In 1991 (the programme ended in 1990), it was decided to extend the IRDPP for two more years under the Operational Programme for Rural Development and 25 rural development co-ordinators were to operate. However, its essential format changed: extensive planning was no longer carried out by planning teams; training and workshops were terminated; finance was only available for small and community enterprise under one of the five sub-programmes of the same name as well as rural infrastructure and farm diversification. In the west, this sub-programme was administered by the CDTs and SFADCo[63], and in the east by the County Development Officers which are attached to Local Authorities (Shortall 1994:242)

[61] The EU contributed to costs.

[62] That some Irish officials are convinced of the Irish bias in LEADER may be due to the fact that the Commission availed of a copy of the evaluation report of the IRDPP and, MacSharry was Commissioner for Agriculture at the time. Furthermore, LEADER is apparently more suitable to an Irish context than other European contexts (interview). See however footnote on provenance of IRDPP.

[63] SFADCo, the Shannon Development Company was established in 1959 and was originally concerned with Shannon Airport development. Since then it has expanded its tasks and is responsible for industrial development, tourism and regional development in the mid-west of Ireland (counties Clare, Limerick and parts of Tipperary, Offaly and Kerry). It is a government agency with an appointed Board of Directors. See Coyle & Sinnott (1992); Brunt (1988:129-30).

Table 9: Projects undertaken in IRDPP

	No. of projects	% of projects
Primary agriculture	25	6.3
Alternative farm enterprises	38	9.6
Tourism	111	28.0
Heritage	24	6.0
Social/cultural	33	8.3
Community development	36	9.1
Small scale manufacturing	17	4.3
Processing	9	2.3
Service	8	2.0
Aquaculture/mariculture	29	7.3
Other	43	10.8
Infrastructure	24	6.0
TOTAL	397	100.0

Source: McGuinness, (1991) in Ó Cearbhaill (1992:127)

LEADER

LEADER is a Community Initiative which falls outside the mainstream Structural Funds, hence its organisational requirements are different. It aims to mobilise local actors in rural areas to develop their locality using innovative strategies. LEADER I (the first programme which ran from 1992 to 1994) was a pilot programme and was made available to 16 groups (covering 61 per cent of territory and 30 per cent of the population) in Ireland. Like the IRDPP, it was a short programme. Its successor LEADER II is a 5 year programme (1994 to 1999) and has been extended to the whole country (34 groups). Under LEADER I[64], groups were chosen by consultants on the basis of a Business Plan they submitted to the administering department, Agriculture. They then entered into a contract with Agriculture which set out the terms and conditions under which they would operate as well as the funding timetable, terms for payment, reporting arrangements and general operational and administrative conditions appropriate to the implementation of the Business Plan. The administration of LEADER takes place on three levels: the EU sets out the broad objectives and makes funding available; Agriculture allocates funding, monitors and controls the group and acts as an intermediary between the groups and the EU; the groups administer the programme on the ground, choosing projects and strategies *etc.* LEADER received considerably more funding than the IRDPP. Under LEADER I Ireland was allocated IR£20.803 million from the EU and IR£13.896 was made available from the exchequer. Private sector funding was expected to match public expenditure which altogether would have amounted to IR£70 million. On average IR£13,000 was allocated to each project and IR£20,000 came from the private sector.

[64] The part on LEADER I is based largely on Kearney *et al.* (1995) who undertook the evaluation commissioned by the government.

2,800 projects were financed: 15 per cent were natural resources projects, 44 per cent were rural tourism projects and 18 per cent were small enterprise projects. Thus LEADER was a high spending and a high profile initiative that had considerable success in mobilising local actors to come together and administer the programme in their area.[65] Spending for the 16 groups was allocated as follows:

Table 10: LEADER spending

Target	Amount spent in percentages
Technical support and vocational training	10
Natural resources	14
Rural tourism	41
Administration	12
Small enterprise	18
Other	5

Source: Kearney *et al* (1995)

Despite considerable pressure to spend funds within the specified time limit, at the end of December 1993, funds had been committed to over 2,350 projects but the average group had not yet paid funds to 59 per cent of its projects. Slightly more than 30 per cent of committed expenditure had been paid. Thus the deadlines set for decisions to be complete and funds to be paid had to be extended by six months. In fact, Agriculture spent much time recuperating unspent money (interview). Time limits also proved to be a constraint for getting groups off the ground. Some of the groups pre-dated LEADER but six of them were formed to administer LEADER and were forced to become operational very rapidly, without any prior experience, in order to meet the spending time limits. In some cases, projects were launched directly and were not integrated into a long-term development strategy. It must be said, however, that a two-year pilot programme promises little in the way of long-term strategies.

No allowance was made for the different stages of development of the various LEADER groups. As aforementioned, six of the groups were formed especially to administer LEADER and had no previous experience. In these cases, very little by way of training or capacity building was undertaken. In other words, no pre-development stage was envisaged. In fact, spending on animation and capacity building was informal and sometimes almost accidental - that is, it was not planned (interview).

Most of the groups found the guidelines excessively restrictive. Initially, however, these guidelines were sparse and vague but were developed over time in a reactionary knee-

[65] The Commission insisted that each group receive no less than IR£1 million and that the groups have a high profile (interview).

jerk fashion. They were then communicated to the groups *via* circulars from Agriculture but in some instances, guidelines were issued prohibiting projects that had already been embarked upon. Other problems included the unavailability of loan finance and the difficulty of implementing training measures due to the fact that they were only part-financed.

The evaluation itself encountered some problems. Firstly, the general dearth of economic, social and demographic data meant that changes were difficult to measure and presumably, strategies for development must have been difficult to formulate. Secondly, LEADER groups did not generally keep data collection systems which hindered the monitoring of progress. Thirdly, the evaluation was done too soon. The final report was undertaken and presented in 1994. According to a report by the Comptroller and Auditor General's office, "a full economic impact evaluation might best be undertaken in early 1996 when all projects have been in operation for some time and their impacts may be more realistically assessed". Furthermore, the objectives of LEADER may overlap with other area-based programmes thus the development impacts of all area-based programmes should be assessed at the same time. The report also lamented the absence of clear targets at a national and group level as well as the lack of data collection systems for ongoing monitoring and *ex-post* evaluation (Government of Ireland 1995).

The evaluators concluded, "local partnerships are capable of creating structures which facilitate the achievement of subsidiarity in a way that provides for devolution of decision-making and also provides for accountability" (Kearney *et al.* 1995: 126). Thus, LEADER seems to have made some progress where the customary model has failed. Furthermore, LEADER II seems to have taken most of the evaluation's criticism into account. For example, more resources are allocated to capacity building and animation. Training is 100 per cent funded. The different stages of development are taken into account so pre-development work can be undertaken. LEADER II has the same amount of funding as LEADER I despite the fact that it encompasses 34 groups. Most of the actors involved in LEADER I stressed that it was a learning process and experience gained can now be put into practice with LEADER II. That it is a five year programme should lend itself more easily to long-term strategies and less haste to spend money. However, the application process under LEADER II has become a "highly technical exercise that has created work for a growing squad of consultants" (Varley & Ruddy 1996:75).

Area Based Partnerships

The Area-Based Partnerships (ABPs) were launched as a two and a half year (until the end of 1993) pilot programme under the Programme for Economic and Social Progress (PESP) "to implement a community response, in particular local areas, to long-term unemployment and the danger of long-term unemployment" (PESP 1991:75).[66] Twelve areas, four rural and eight urban, were selected in 1991 by the government on the recommendation of the Central Review Committee (CRC)[67]. Disadvantaged areas were selected on the following basis: the extent of unemployment, in particular, long-term unemployment, achieving a wide geographical spread as well as a rural-urban balance and "the existence of structures and activities already in the areas on which the area-based response could build" (Guidelines for Partnerships 1991:2). This area-based approach was designed to recreate the partnership method operating on a national level since national accords of this nature began in 1987 (until 1990) with the Programme for National Recovery. The partnership was deemed to be a co-operative working arrangement among the local community, the social partners[68] and the state agencies each of which have equal representation on the Partnership boards. The average board was made up of eighteen - six from each of the sectors - and met on a monthly or two-monthly basis. The ABPs were to work with the long-term unemployed at a local level in areas such as training and confidence building. They were to assist the development of local enterprises and job creation and help change attitudes about people who are long-term unemployed.

Each of the Partnerships had to produce an Area Action Plan which had to be area-specific, that is, based on the needs and resources of the area as defined by the ABPs in consultation with the local community. The Partnerships were to act as "a focus for local development of new initiatives and innovation" (Guidelines for Partnerships 1991:5). Their legal status is that of companies limited by guarantee. Like the LEADER groups, the ABPs entered into a contract with the National Co-ordinating Team (NCT)[69] which

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[66] NESC (1990) first raised the notion of an area-based approach to long-term unemployment. Its recommendations were adopted during the negotiations between the government and the social partners on the PESP (Craig 1994:16).

[67] The CRC is made up representatives of government departments and the social partners as well as state agencies such as FÁS, and more recently, the Combat Poverty Agency, the Irish Resource Development Trust and the Trust for Community Initiatives. It is also responsible for monitoring national agreements, the reason for which it was established.

[68] Social partners generally refer to trade unions, employers and farmers.

[69] The NCT is made up of staff seconded from the Federation of Irish Employers - Confederation of Irish Industry - which later became Irish Business Employers Confederation, the Irish Congress of Trade Unions, FÁS and the Departments of Education, Social Welfare and the Taoiseach. In 1993 a full-time community development worker and an enterprise support worker (from IBEC) were added to the NCT (Craig 1994:94).

detailed their responsibilities, staff considerations and a work programme. The NCT was appointed by the CRC which is responsible for monitoring and co-ordinating the ABPs and programme implementation and organisation, in order to facilitate and support Partnership establishment and development as well as to monitor and co-ordinate.

A considerable amount of funding came from the Global Grant which was provided to support the development of indigenous potential at local level, enterprise creation and development, training and education and capacity building of local organisations. These objectives broadly coincide with those of the PESP Partnerships, hence half of the Grant went to the twelve ABPs. An independent intermediary body, Area Development Management Ltd. (ADM Ltd.)[70] was set up to administer the Grant in October 1992 and support integrated local, economic and social development. ADM Ltd. also funded 28 other groups outside the PESP Partnerships. It was subsequently made responsible for the management of the sub-programme on Integrated Development of Designated Disadvantaged and other Areas in the Operational Programme for Local Urban and Rural Development in the second CSF. Although ADM Ltd. is under-staffed for the range of functions it has to perform, its functions include appraising and evaluation local development plans from eligible communities, allocating funds according to the results of the evaluation and monitoring expenditure and performance. Informal support through its liaison staff provides the most valuable information exchange (interview; see also OECD 1996:87-89). It also provides technical assistance, disseminates information, encourages the dissemination of models of good practice and provides a "mentoring" service which includes financial control and performance indicator systems (ADM Ltd. 1995:5). It is represented on the Inter-Departmental Committee on Local Development[71] which will be discussed in more detail below. The following table shows the budget of direct subventions of the Partnerships. The bulk of funding came from the Global Grant.

[70] ADM Ltd.'s board is made up of the social partners, the Enterprise Trust, the Taoiseach's department, local authorities, the Business Innovation Centre in Dublin, Macra na Feirme, community groups and representatives of the PESP partnerships. In 1993, the NCT took over the executive of ADM (Craig 1994:95).

[71] The Inter-Departmental Committee on Local Development is made up of senior level representatives from Agriculture, Education, Social Welfare, Taoiseach, Enterprise and Employment, Environment, Finance, Justice, Tanaiste, the Combat Poverty Agency and ADM.

Table 11: Direct subventions to Partnerships during 1991-1993 in IR£ millions

Category	1991[72]	1992	1993	Total
Global Grant[73]	-	1.200	1.96	3.160
Matching Global Grant Funds[74]	-	0.300	0.815	1.115
Taoiseach: Administration	0.438	0.875	1.412	2.275
Other	-	-	1.039	1.039
Total	0.438	2.375	5.226	8.039
Average Budget per company	0.0365	0.1988	0.4368	0.670
Average Administrative Budget	0.0365	0.0953[75]	0.0953[76]	-

Source: Craig (1994:37).

The CRC commissioned an evaluation of the PESP ABPs which highlighted a number of difficulties (Craig 1994). Firstly, in relation to developing an area-based focus to long-term unemployment, it proved difficult as this factor is not necessarily spatially concentrated.[77] Secondly, cultural differences between centralised decision-making and local development were difficult to reconcile. Although the NCT was a useful link between local experience and central decision-making, it tended to have a controlling influence at a local level and was not strong enough to ensure that policy issues at a Partnership level be followed up at a national level, nor to secure the commitment of state agencies. Furthermore, the NCT did not provide adequate support or training for the Partnerships as there was a lack of guidance and detailed guidelines. The role of the Taoiseach's department, the parent department, proved crucial in ensuring that the initiative was cross-functional and that no one agency dominated. It also ensured that the programme received prominence. However, subsequent to the change in government, responsibility was shifted to Enterprise and Employment (January 1993) for eight months which meant that the prominence of the initiative was squandered. It also meant that the ABPs were unsure of their status[78] and were thus distracted as they spent time

[72] Covers the period from June to December 1991.

[73] The Global Grant figures are estimates based on assumption that 1 ECU=IR£0.80.

[74] Includes IR£120,000 from the Enterprise Trust in 1992 and IR£453.000 in 1993. In response to the PESP initiative, employers set up the Enterprise Trust in June 1992 to manage funding for the enterprise parts of the Area Action Plans. Originally, it was thought that its contribution would amount to matching funds for the Global Grant (25 per cent) but the level of funding it provided was less than expected (see above table) with an average of IR£48,000 per partnership which amounts to half of a partnership's administrative budget for a year (Craig 1994:37).

[75] The administration budgets from the Department of the Taoiseach in 1993 were based on 14 months in recognition that Partnership companies were under-funded in 1992. Thus, the average administration budget is calculated over the two years 1992 and 1993.

[76] See previous note.

[77] NESC (1994:91-3) however, contends that four issues need to be distinguished and evaluated: the degree to which long-term unemployment and poverty are spatially concentrated or dispersed; distinguish clearly between the idea of an area-based approach and a selective one; freed of its incidental link to selectivity, consider the merits of an area-based approach to long-term unemployment and disadvantage; the existing area-based approach must be kept in perspective as one part of a public policy which affects the unemployed. Having considered these, it holds that a strong case exists for the continuation or even extension of ABPs. Similarly, the evaluation of the Global Grant (Haase *et al.* 1996) holds that concentration of unemployment does, in fact, exist.

[78] This was due to the fact that Enterprise and Employment in October 1992 had announced the establishment of the County Enterprise Partnership Boards which had a similar remit to the ABPs.

negotiating with the Taoiseach's department about their potential relationship with the CEPBs. Another distraction was the Global Grant made available by the European Commission. This was because in January 1992, in anticipation of the Grant, partnerships were asked to draw up the Area Action Plans on the basis of a budget of IR£1 million. Subsequently, the grant was reduced by a quarter but in the end the Partnerships got even less (IR£350,000). This also distracted them from the real sources of funding for local development - the budgets of state agencies - so they do not have any decision-making role in relation to the spending of resources in their area. Although the Global Grant lent the Partnerships some leverage in jointly funding projects with state agencies, essentially it has meant that the ABPs have assumed a delivery (which displaces or duplicates other structures) rather than a brokerage (co-ordinating existing services) role, and state agency spending has remained unchanged by them[79]: "In the longer term however, the partnerships' ability to act as catalysts for change will be dependent on their moving from a position of grant-aiding activity at the local level to one of negotiating with statutory agencies about their expenditure" (Craig 1994:38).

The positive outcomes of the initiative include the partnership approach which brought three sectors together to address problems in a multi-dimensional way, and the raising of awareness of the needs of the long-term unemployed. Partnerships that assumed a brokerage role did better as did those that kept a small board of directors. Their real impact is difficult to measure due to the lack of data available on each area. One of the recommendations that the evaluation made related to time: more time was needed to establish partnership and to design plans. However, a two and a half year pilot programme cannot provide that kind of time. The initiative was extended to 1996 and beyond with the Operational Programme for Local Urban and Rural Development.

The Global Grant

The Global Grant[80] provided funding to community bodies on the basis of action plans drafted in consultation with local actors, state agencies and local social partners. Priority was given to groups outside of the PESP and LEADER areas. Its objectives were to contribute to economic and employment development in local communities, to bring

This was supposed to be the means to expand the ABPs nation-wide (Craig 1994:151). The CEPBs were piloted for a short period and in May 1993 became the County Enterprise Boards (discussed below) which had significantly reduced responsibilities.

[79] State agency expenditure in PESP Partnership areas increased by 39 per cent in relation to 1992 spending. However, it is unclear whether this is part of a general increase or more specifically to do with the ABPs (Craig 1994:41).

[80] A Global Grant involves combining ERDF and ESF funding to support an integrated package of measures for social and economic development.

about a redistribution of job opportunities towards the unemployed and "to support the main forces of local development by contributing to capacity building of local organisations with the view to enabling them to participate as primary movers in local development programmes" (Article 4 of the Agreement between ADM Ltd. and EU Commission 1993). These objectives were to be reached through a local development model based on four principles: partnership, participation, planning and multidimensionality (Haase *et al.* 1996). 28 groups and the 12 PESP Partnerships received funding and it was later brought under sub-programme 2 of the Operational Programme for Local Urban and Rural Development in the second CSF. The Grant provided IR£8 million to the PESP Partnerships (IR£4million) and the 28 groups (IR£3.2million). The table below details the expenditure. It is evident that more was spent on Measure 2 than had been envisaged. According to the evaluation commissioned by ADM Ltd. (Haase *et al.* 1996), this is because there was some difficulty in understanding the classification of spending.[81]

Table 12: Proposed and Actual Expenditure in percentages of the IR£8million Global Grant

Measure	Proposed	Actual
1: enterprise creation and development	62	43
2: training and education, infrastructure, environment, capacity building	30	48
3: technical assistance	18	25

Source: Haase *et al.* (1996)

The PESP ABPs fared best according to the evaluation and like the Craig evaluation (1994), it holds that the groups that assumed a brokerage role - that is, set up a partnership structure to influence state and private spending in their locality - do better in the long run. Groups were generally unable to influence the spending decision of state agencies. As in the other initiatives discussed above, it was found that not enough time was granted to draft plans (2.5 months) and some groups had to produce plans before they had finished constituting themselves which meant that many of the area action plans were subsequently disregarded when it came to implementing a development process. It was also found that the new groups missed out on learning from the PESP Partnerships as their "good practice" was not documented nor made available to them. Furthermore, since LEADER II was slow to get off the ground, some Partnerships were

[81] The evaluation contends that much expenditure under Measure 1.2 which covers training/education in enterprise and business skills, is subsumed under Measure 2.1 which instead deals with training/education relevant to enterprise creation, business development and employability. The nuance was therefore only apparent to 'those in the know'.

uncertain about conflicting responsibilities *etc.* (Haase *et al.* 1996). However, the report did endorse the Global Grant model of local development and praised ADM Ltd. on its targeting of the programme even though this targeting was based entirely on the applications it received - if disadvantaged areas did not submit an application, they automatically disqualified themselves. One of the recommendations of the report was the separation of the roles of consultation and facilitation in getting groups off the ground.

County Enterprise Boards

Unlike the other initiatives discussed above, the County Enterprise Boards (CEBs) were not launched as a pilot programme in their current format[82] but were set up in each county and urban area in 1993 under the Fianna Fáil-Labour coalition government in order

> "to fill a gap which has become apparent in the support services for local enterprise initiatives. They will bring a variety of interests together to set up objectives for promoting enterprise in their area, prepare a strategic plan and provide assistance to small enterprise projects which can yield a cost effective return in terms of job creation" (Minister for Enterprise and Employment, Press Release, 27 September 1993).

The CEBs are based on the sub-programme on Small and Community Enterprise (SCE) in the Operational Programme on Rural Development (1989-93) which targeted support to small and local enterprises that fell outside the competence of the main development agencies. They directly descended from the aborted initiative to set up the CEPBs which, were they to have become operational, would have been an upper tier above the ABPs and LEADER companies (interview). Their final form however, was "untrammelled by a social agenda" (interview). A more striking resemblance to the so-called County Development Teams (CDTs) is evident. The CDTs differed from the CEBs in the following ways. Firstly, they were operational in the west of Ireland originally (although subsequently spread to the rest of the country) and were funded from a Western Development Fund, control of which lay with Finance.[83] Secondly, they were only responsible for grant-giving and thus did not provide business support services or the like, and funding was allocated on a "first come first serve" basis (interview). Thirdly, the CEBs have a very specific function within very specific guidelines and rules of procedure, whereas the CDTs were left more flexibility (interview). However, the CDTs were

[82] The CEPBs were conceived differently to the CEBs.

[83] Control of the CDTs resided momentarily in the Department of Economic Planning, the Department with the shortest lifespan in the history of the state. It was created for the principal economic advisor to the Taoiseach on his first day in the Dáil in 1977. It was abolished in the face of utter failure in 1981 and its responsibilities and personnel were divided by the Taoiseach's department and Finance which, under the Central Development Committee, took over the CDTs (Lee 1989:487-503).

subsumed into the CEBs and many hitherto County Development Officers now go under the name of County Enterprise Officers.[84]

The CEBs' objectives are to develop enterprise action plans covering all sectors in their county; to create local enterprise awareness and develop an enterprise culture to ensure community based enterprise; to provide grant support (not exceeding IR£50,000) to individuals and local community groups; to assist commercially viable small enterprise activities; and to influence the allocation of resources for small enterprises from EC, private and public funding sources. Each board is composed of 13 members and a chairman and is supposed to reflect "a balance of interests embracing four elected representatives, and representation from the main public sector agencies, business, farming, trade union and community interests" (Enterprise and Employment 1993). Initially IR£12 million was allocated under the County Enterprise Fund to grant aid the establishment of small-scale economic projects that generate sustainable jobs and economic infrastructure at a local level. According to a Government Press Statement at the time of their establishment, the CEBs are to provide a framework for local initiative and complement the regional and county level services of state agencies such as FÁS, Teagasc, Forbairt *etc.* They are monitored and co-ordinated by Enterprise and Employment. Each of the CEBs must draft an integrated, three year County Enterprise Action Plan in consultation with interested parties such as state agencies, the social partners, business interests and community groups. Action Plans are reviewed annually.

[84] According to one interviewee, the CDTs were never legislated out of existence but rather faded into the background and thus if ever the CEBs are abolished, his particular CDT intends to become operational once again (interview).

Table 13: The Operation of the CEBs

Minister for Enterprise and Employment	overall responsibility and discretion over all CEBs	nominates CEB members and doles out the County Enterprise Fund
County Enterprise Co-ordinating Committee	within the Department of Enterprise and Employment	advises the Minister on the basis of CEO recommendations
County Enterprise Officer (chief executive)	of each CEB	reports back to the Minister
County Enterprise Boards (36 in number)	Chairperson (elected the by members) 13 members: 4 elected representatives, representatives from the main public sector agencies, business, farming, trade unions and community interests	-formulate 3 year County Enterprise Action Plans after consultation with interested parties, state development agencies, social partners, business interests and community groups; -achieve consensus among responsible implementing agents and oversee and co-ordinate implementation -report regularly to the Minister on progress in implementing plans.
Evaluation Committees (for each board)	made up of persons with banking and accounting expertise and experience in assessing the quality, local relevance and cost-effectiveness of project proposals	-make recommendations on appropriate level and form of assistance for all projects

Source: Fitzpatrick Associates (1997)

According to NESC (1994:96-9), there is a conflict between the two functions of the CEBs: development planning and grant giving. It contends that difficulties experienced in the former may lead them to prioritise the latter in which case deadweight (whether an activity would have taken place anyway) and displacement (whether grant-aided business displace existing businesses) must be of concern. Furthermore, NESC asserts that filling a gap in local economic development differs from filling a grant-giving gap[85] and doubts "whether the CEBs have the structure, resources and capability to formulate and execute enterprise development strategies for local development". In fact, only about 10 per cent of expenditure goes to promoting an enterprise culture which prompted one official to assert that the least amount of money goes to the greatest challenge of all (interview). Since there is a definite need for the provision of support services for local enterprise initiatives at a county level (the report of the Task Force on Small Business demonstrated that most small businesses preferred the county level for the provision of services), NESC would see the future role of the CEBs as "one-stop-shops" for information regarding loans, grants and other information.

Their remit and funding were extended somewhat under the Operational Programme for Local Urban and Rural Development as they - through Enterprise and Employment -

[85] Previously micro-enterprises (with less than 10 employees) were left outside of state agency support which is one of the reasons for the setting up the CEBs (Cullen 1994).

have responsibility for the implementation of the sub-programme on Local Enterprise. In contrast to the other initiatives discussed above, the CEBs' geographical coverage is country-wide and each unit is based on established local authority boundaries (Cullen 1996). Furthermore, the presence of elected representatives distinguishes the CEBs from LEADER and the ABPs. Finally, the CEBs do not embrace a multi-dimensional approach to development but are specifically concerned with job creation and commercially viable enterprises.

The excluded partner: local government

Local Authorities[86] are conspicuous by their absence from the development domain described above. This is due to a number of reasons emanating both from the nature of local government itself and from the local development strategy pursued in Ireland. Local development partnerships explicitly exclude Local Authorities. Instead, they include single function state agencies, central government, the social partners, the private sector and in latter years, the community and voluntary sector. In relation to the nature of local government, the abolition of domestic rates in 1977 removed the only autonomous source of finance held by Local Authorities. Subsequently, they became dependent on central government grants for finance. This means that their participation in EU programmes depends on matching funds from the government (Coyle 1996a:7) and since most local development programmes are EU funded, Local Authorities are somewhat constrained in terms of the initiatives they can take.[87] Local Authorities had representation on the sub-regional committees that were set up to monitor the NDP. Local government was assigned a developmental role under two different acts: the *Local Government Act 1941* accorded Local Authorities the right to help local groups in community development and the *Local Government Planning Act 1963* designated Local Authorities as development agencies. In relation to the former, no links developed between community groups and local authorities and the role of animator has been forfeited to the private sector (Coyle 1996a:9-13). Furthermore, Local Authorities lacked the technical and financial wherewithal to perform the latter. Thus their developmental role was limited mainly to

[86] Local government is made up of 114 directly elected authorities in five legal classes: 29 County Councils; 5 County Borough Corporations; 5 Borough Corporations; 49 Urban District Councils and 26 Town Commissioners. In all, there are 1,627 elected Local Authority members (Devolution Commission 1996). Elections are held about every 5 years by proportional representation and the number of members of each authority varies according to residents. Until recently central government decided on when elections were to be held and often postponed them for political reasons: they were postponed in 1965, 1972, 1984, and 1990 with no public protest (Hussey 1995:101).

[87] In 1991, local government expenditure accounted for under 5 per cent of GDP and 11.3 per cent of overall public expenditure (Barrington Report 1991:11).

providing infrastructural support for industry.[88] In fact, most services provided by European Local Authorities are provided by single function executive agencies working on a national level in Ireland. Moreover, policy entrepreneurship in local development was long stifled by the *ultra vires* clause which prevented Local Authorities from undertaking activities that were not explicitly included in their legislative competence, and its removal in 1991 did little to alter the sterile nature of local government. Moreover, not only did local authorities receive their powers through legislation, failure to carry out one of their tasks could lead to abolishment by the Minister of the Environment and Local Government.[89] Contact with central government is done exclusively through the Department of the Environment, the parent department and elected members are akin to mere petitioners, seeking privilege for individual constituents in matters like the provision of public authority housing. Hence local government is considerably less significant in Ireland than in other European countries in relation to the role it plays, or does not play, in local development.[90]

In the scenario presented in this chapter, local development is therefore distinct from local representative democracy. There are few elected representatives for instance on the LEADER boards[91] and none on the boards of the ABPs as they are not compelled to include *elected* Local Authority members. Non-elected members (Local Authority Managers[92]) chair 23 of the 35 CEBs and the board of ADM Ltd. contains a member of

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[88] Their remit covers housing, roads and traffic (which accounted for half of overall spending totalling IR£ 1 billion in 1992), water supply and sewerage, development plans, environmental protection, recreation and amenity, and education (Hussey 1995:102).

[89] The power and functions of elected members cover the adoption of annual expenditure estimates, fixing of annual rate on commercial properties, amount to be borrowed, local by-laws, house building programmes, making of development plans (Hussey 1995:102).

[90] They also constitute the majority of the electorate for the Seanad (the upper house of parliament) which is one of the reasons why local elections are highly politicised, that is, they provide Seanad votes, but they are also a trial run for national elections and a means of talent scouting. In practice much of the more publicised activity of local councillors has been in the area of planning wherein they have the possibility to overturn managerial decisions, a possibility wide open to corruption, dubious rezoning and general planning travesties (see Hussey 1993:103-4).

[91] Some Local Authorities applied for funding under LEADER I but Agriculture felt that LEADER projects headed by state agencies (which is how local government is perceived) went contrary to the ethos of the initiative which was to empower local groups (Kearney *et al.* 1995).

[92] A management system was put in place in the 1930s based on the example of US city management. This system entails the separation of reserved functions (major policy issues for example finance, legislation, nomination of elected representatives to public bodies *etc.*), which are the preserve of elected councillors, and executive functions (covering anything that is not reserved) which fall within the competence of the Local Authority Manager. The latter is a career official appointed by the independent Local Appointments Commission. "In practice, however, as permanent, professional, salaried officials, the manager and his staff are in a strong position *vis-à-vis* the unpaid, part-time, perhaps transient elected councillors and play a key role in initiating policy and in advising the council" (Coyle 1993:5). The Local Authority Manager ranks second (after government ministers) in terms of influence wielded in a region (Coyle & Sinnott 1993:92). Contrast this position with that of local elected councillors, in twelfth place (after the catholic clergy, the press and agricultural organisations) out of fifteen in terms of power wielded in a region.

the City and County Managers' Association. The CEBs follow existing administrative boundaries and include four elected members of the Local Authority as well as the Local Authority Manager. This constitutes a somewhat limited presence in the new local development structures and the protagonists of local development are not elected representatives but emanate almost exclusively from the private sector. The Irish development panorama is thus somewhat of an anomaly. This issue is dealt with in Chapter 5.

Conclusion

In this chapter the first CSF, IRDPP, LEADER, ABPs, Global Grant and CEBs have been presented and discussed. Local development structures, that is the ABPs, the CEBs and LEADER, which form the nucleus of local and rural development policy in Ireland and were subsumed into the Operational Programme for Local Urban and Rural Development in the second CSF (1994-99), are evidence of EU thinking penetrating Irish policy-making. Chapter 5 deals with this CSF and institutional change in detail.

Table 14: Classification of elements of misfit

1. Legalistic/Centre-local issues
- High degree of centralisation
- No regional authorities
- Inept and ineffectual local government
- No local development structures

2. Bureaucratic
- State has sought to maintain close control of everything issuing restrictive guidelines

3. Programmatic
- No socio-economic data due to the arbitrary nature of boundaries for development
- No data collection systems essential for monitoring
- No spatial development but a sectoral bias
- Lack of co-ordination
- Drive to meet spending targets takes precedence over all other considerations
- Evaluation, monitoring and transfer of good practice

4. Political
-

5. Partnership
- State dictated partnership

This chapter now turns to the elements of misfit between Cohesion Policy and native approaches. The incongruous elements are listed in Table 14. First, legalistic problems generally relate to centre-local type issues. Ireland was a very highly centralised state with no regional authorities and an inept and ineffectual local government structure that did not sit well with European Commission policy-making notions. Second and in a related manner, the State has sought to keep tight control of the local situation, imposing strict guidelines where possible and establishing companies limited by guarantee rather than devolving to representative institutions. Third, programmatic elements of misfit include the absence of socio-economic data due to the arbitrary nature of boundary fixing for development and other administrative purposes. This has led to the impossibility of data collection systems essential for monitoring. Co-ordination problems are also rife but this is less critical in an experimental stage. Other programmatic elements of misfit relate to the absence of a spatial or area-based policy and a tendency for sectoral policies to take precedence. The drive to meet spending targets imposed by the Structural Funds has tended to rank as a higher priority than formulating development policies suitable to the problems at hand. Vis-à-vis monitoring, evaluation and transfer of good practice, there are some lacunae but this can be attributed to the pilot, experimental nature of the structures. In relation to partnership lastly, the state has tended to take an imposing role *vis-à-vis* 'lesser' sub-national partners and prescribe partners with which to dialogue.

Adaptational pressure was high therefore for Ireland and even during the period of the first CSF, 1989-93, European Commission-inspired organisational structures began to emerge. The IRDPP pre-dated LEADER but it seems clear that it is a carbon copy of the European version and has European Commission-inspired overtones as does its successor, LEADER. ABPs also bear a European Commission imprint, which will be discussed in more detail in Chapter 5.

More than institutional change at this stage, the Irish situation is characterised by experimentation with new kinds of local development structures. Local government is deliberately excluded so no actual formal change is necessary. The *ad hoc* administrative nature of the structures is an Irish invention. More changes were made with the second CSF 1994-99 and will be attended to in Chapter 5.

Table 15: Formal institutional changes

- Parallel experimenting with new structures for local development - *Ad hoc* administrative status for local development structures

Chapter 4

Sardinia: Basic Policy Misunderstanding

Introduction

Sardinia is one of the five special statute regions within the regionalised Italian state and thus, at least in theory, enjoys more autonomy than other ordinary regions.[93] In terms of EU Cohesion Policy it is an Objective One region. A significant policy/institutional misfit has been posited in order to better understand Sardinia's poor performance in the context of Cohesion Policy, and the European Commission's relative lack of success with institution building. Thus this chapter seeks to establish misfit between Cohesion Policy and domestic development policies. It does so by outlining Sardinian experience with development policies prior to Cohesion Policy and then setting out initial experience with the ERDF. It concludes with a discussion of the elements of misfit. Chapter 6 goes on to examine Sardinia's experience with local development in detail.

Indigenous approaches to development: national *versus* regional

After the war, big business and the central state dominated the national debate on economic development and as a result, development in the south was seen almost exclusively in terms of industrialisation to be brought about by locating big complexes in the south (Trigilia 1989:169). Nevertheless, developing the south was formulated as an explicit aim of economic policy and planning due to the fragility of economic structures in the *Mezzogiorno* as well as serious political and social tensions. The idea was to

[93] 'Special' regions were set up in the post-war period while 'ordinary' regions were established in the 1970s, even though they had been previously provided for in the post-war constitution. Although article 116 of the constitution provides special regions with "particular forms and conditions of autonomy", the main difference between them is the earlier establishment of the former (Hine 1993:263). Regional competencies are laid out in the table below. Primary competencies mean that the region can make its own laws, shared means that it has to legislate within the framework laid down by national law and minimal means that it can make only minor adaptations to national law (Bottazzi & Loy 1997:302-303).

Primary	Shared	Minimal
Agriculture and forests Regional public works Artisans Tourism and hotels	Industry Commerce Mining	Education Labour Social security

integrate the south into overall national development (Trigilia 1992:12). However, as Hine (1993:264) outlines

> "The planning of economic activity and territorial development, including the allocation of resources between sectors and across the national territory, became the major concern. In reality, rather little of Italy's post war development has been 'planned', but this did not stop much lip-service being paid to the principle, right across the political spectrum."

The *Cassa per il Mezzogiorno* (fund for the south, hereinafter *cassa*), established in 1950 and abolished in 1986, was the primary instrument for national policy (*intervento straordinario*) and subsequently for European funding in the south. It is commonplace throughout the literature to characterise this large-scale public policy as *assistenziale*, unproductive and essentially a failure insofar as it never managed to bring about an autonomous, self-propelling growth for the south (Graziani 1978; Trigilia 1992). This is notwithstanding the fact that the objective of the *cassa* was to raise the level of development in the south to match northern standards - it did not have any other practical objectives. Government intervention in the south was organised into three phases: 1950s, 1960s and 1970s. The first phase involved the provision of basic infrastructure and overhead capital formation; and the second phase advocated the intervention of publicly owned companies and the attraction of branch plants of private corporations through generous financial incentives. The third phase saw attempts to create the conditions ripe for the blossoming of diffused forms of industrialisation based on small firms (Leonardi 1993:494). One of the most interesting conclusions drawn from this policy experience is that not only were policies unsuccessful in relation to the objectives of top down development, they ended up impeding the possibility of bottom up development (Trigilia 1992:32-34). The policy problem was conceived of in economic terms and thus public spending raised incomes in the south but without a corresponding increase in production capacity. Furthermore, the areas which benefited most from public intervention are now stagnating and in crisis. In sum, public spending under the aegis of this territorial development policy, supported income and not productive structures. Trigilia (1992:71-72) uses this particular example to demonstrate the 'perverse' effects of public policy and concludes that the Italian experience casts shadows on the productivity of economic and social spending.

In relation to home-grown development policy, Sardinia was one of the first regions involved in attempts to plan economic policy to alter regional productive structures in the 1950s. Its economy was primarily agricultural and characterised by massive outward

migration.[94] These and other factors led the region to seek the extraordinary programme of intervention provided for by article 13 of its special statute (*statuto speciale*, the region's constitution). This article provided for an integrated plan to be drawn up by the state with the agreement of the region to promote the economic and social revival of the island.[95] A debate began on what kind of plan to adopt which was to have far reaching consequences. One commentator (Bagella 1993:34) asserts that the tone of the debate was far from a precise philosophy of development or the bones of a plan compatible with existing institutional conditions. Notwithstanding, the debate on the Revival Plan was one of the most animated during the history of the regional council[96] (*consiglio regionale*).

The governing party of the regional executive (*giunta*) wanted a gradual transformation through new investments in agriculture, industry and transport. The general programme was supposed to take into account all ordinary and extraordinary interventions through which all public resources available for the development of the island were to be channelled. Fourteen years later, law 588/1963 launched the so-called Extraordinary Plan to promote the economic and social revival of Sardinia (*piano straordinario per favorire la rinascita economica e sociale della Sardegna*, hereinafter Revival Plan) for the social and economic regeneration of the island which was to be the central axis of Sardinian development. The first Revival Plan, which ran from 1963 to 1975, was to provide 400 billion lire and was to be implemented by the region through annual or multi-annual programmes. The Regional Centre for Programme Planning (*Centro regionale per la programmazione*) was set up in 1962 to formulate the plan and programmes.

Bottazzi and Loy (1997:303) hold that, even by today's standards, the objectives of the first Revival Plan are quite modern and include contemporary aspects of the discussion on the perspectives of development. For instance, utilising local resources was a central part of the plan as were modernising agriculture and livestock rearing and developing a network of SMEs. They even add that the Revival Plan "anticipated the idea of endogenous development and was not limited to a consideration of macro-economic

[94] Gross Regional Product from agriculture in 1951 was 36.1 per cent. From 1960 to 1964, more than 100,000 people left Sardinia. This is a considerable amount for an island with a population of 1.4 million.

[95] Article 13 of the Region's statute asserted that "the State, with the help of the Region, will prepare an integrated plan to facilitate the economic and social re-birth of the island".

[96] This was largely because of the political situation of the time characterised by tensions between government and opposition (DC and PCI respectively) at national level which was mirrored at regional level.

aggregates but took into account the social realities of Sardinia"[97] (1997:304). Other innovative aspects of law 588, which in many respects foreshadow EU principles introduced with the 1988 reform, include the requirement of additionality of funds and the integrated as well as extraordinary nature of the intervention. In relation to additionality, the 400 billion lire was not supposed to substitute but be 'extraordinary' and additional to ordinary and *cassa* interventions. It was supposed to be integrated in the sense that it was to move away from sectoral and fragmented interventions to co-ordinated plans. Furthermore, the plan was supposed to co-ordinate all other interventions in Sardinia and to this effect, the law stipulated that the government, public agencies as well as the *cassa* had to inform the region of their intentions before proceeding with plans (Brigaglia 1982:84). Law 588 also provided for the involvement or participation of the local population and social partners. A subsequent law went one step further and provided for the establishment of committees of trade unions and local authorities, which were to give *ex ante* consultation on decisions and implementation.

What happened to these procedures in practice? Firstly, the consultation referred to was never activated beyond a limited conception of *ex post* opinions on already completed drafts of plans in which decisions had already been taken. This led to the exclusion of local communities and authorities from this planning process (Brigaglia 1982:85). Secondly, in relation to the co-ordination aspect of the plan, apart from the *cassa*, no other actor informed the region of their intentions on the island, rendering any attempts at co-ordination futile. Thirdly, additionality was not respected as for example, the level of state public works in Sardinia decreased (from 4.2 per cent in 1960 to 3.5 in 1968). Brigaglia (1982:85) attributes this to the lack of political will and institutional jealousy. Its failure is generally attributed to the incongruence between instruments and objectives (Bagella 1993:57). Bottazzi and Loy (1997) provide the most extensive study of the Revival Plan and they attribute its failure to two factors that resurface frequently in Sardinian territorial development policy. Firstly, the region's administrative structure was ill-prepared to efficiently manage the proposed interventions and there were delays in the preparation of initiatives to spend funds. Secondly, the philosophy of the Revival Plan was usurped with the arrival of the then dominant model of development, that is large industry organised around a development pole.

Over the period of the Revival Plan which coincided with the advent of the petrochemical 'mono-culture', regional income increased by 128 to 140 per cent[98] (the national average

[97]Translations from non-English language texts are my own.
[98]From 311 billion in 1962 to 710-750 billion in 1974.

was 80 per cent) and 140,000 new jobs were created (75,000 in industry, 60,000 in the tertiary sector and 10,000 in construction) (Bagella 1993:35-40). Measures to restructure the agricultural sector[99] as well as funds to industry were inadequate for the potential of the sector.[100] However, the petrochemical sector attracted most funds between 1962 and 1968 (319 out of 448 billion which is 71 per cent). The main credit institution in Sardinia, the CIS (*credito industriale sardo*) spent 74 per cent of its total investments on chemical industries between 1960 and 1974, during the first Revival Plan (Moro 1978:5).[101] This is curious if one considers that the CIS was created to favour SMEs and home-grown entrepreneurship and yet, it financed external industries unconnected to the local economy and local resources. The CIS, in fact, made the concrete choices in relation to the development plan pursued. Thus the only practical possibility considered for industrial development in Sardinia was large chemical industry, and this seemed to bear fruit initially, at least in terms of income which grew at an average of 5.9 per cent from 1963 to 1974 (more than the Italian average or that for the *Mezzogiorno*). Not so positive however, were the changes wrought in employment structure. 53,000 jobs were lost in agriculture, 5,000 jobs were created in industry and 3,600 in the service sector (Bagella 1993:44-49). Clearly, industry did not provide an outlet for the loss of jobs in the country and in the agricultural sector as was the case elsewhere. In fact, the economy was based on low cost labour and energy which made the 1970s international oil crisis all the more gargantuan for the island. In sum, the increase in energy costs stymied the developmental model based on the propelling role of petrochemicals and the ensuing crisis signalled the end of a conception of regional economic development based on the growth pole logic (Moro 1978:7-10).

In essence, regional planning fell largely in line with national planning and Sardinia 'endured' rather than promoted the logic of development of chemical industries (Moro 1978:5). Its experience is indicative of the term 'cathedrals in the desert' (*cattedrali nel deserto*) or white elephants (Saba 1974). This was the case generally for southern Italian regions as "the planning vogue implied their subordination to a grand national design" (Hine 1993:264). The development policy pursued in Sardinia did not contribute to the development of local entrepreneurship because of the distance of the local scene from the

[99]Agriculture received funds to the tune of 500 billion in these twelve years. 100 of which came from the *cassa*, 80 billion from the region, 70 from the private sector, 100 from the Agricultural Ministry and 150 billion from law 588. This amount appears to have been insufficient to deal with the modernisation required (Bagella 1993:40)

[100]An interesting and, as we shall see, recurring feature of this experience emerges at this point, that is, the inability to spend funds. In 1970, for example after eight years of implementation, only 40 per cent of funds had been committed (Bagella 1993).

[101]In 1961 it spent 53 per cent of its financing on the chemical sector and 77 per cent in 1962.

locus of decision-making and because state incentives were formulated on the basis of a more modern entrepreneur in the centre-north. Thus, the relationship between banks and local entrepreneurship was suffocated, as was the case for the CIS (Satta 1978:13-15).

So the first Revival Plan must be seen against the backdrop of the oil crisis. In its wake however, the productivity of investments made was not evaluated. In fact, the region had no coherent set of instruments for intervention let alone control or monitoring of implementation (Bagella 1993:53). Boscolo *et al.* explain what they call fictitious development (*sviluppo fittizio*) asserting that the aim of development policies is the elimination of backwardness through the activation of a process of endogenous accumulation, rather than the reduction of backwardness through an increase in consumption, which was the nature of what happened in Sardinia. Agricultural reforms were sacrificed at the altar of industrial development and the agri-food sector declined as a consequence. However, at the beginning of the 1950s, development in the south had been geared towards reinforcing the agricultural sector. Article 1 of the law establishing the *cassa* does not contain any references to industrial development programmes. At the end of the 1950s changes came about with the demands of big industrial groups for different economic policy choices. At the same time, it became clear that the intervention policy being pursued (agriculture and infrastructure) was not sufficient to guarantee development (Colonna 1979:135-177). Land reform was one of the most important agricultural reforms but its implementation was partial and limited, which accentuated the dualism of the agricultural structure (small farms with little hope of survival and medium and large farms located on the best land) (Cosentino *et al.* 1979:179-232). Industrialisation in Sardinia was dominated by a strategy of large national and multinational companies. Growth was dependent on intervention and the expansion of public administration. Furthermore, funds tended to be distributed rather than invested. As Colonna (1979) holds, evaluating the development policy of the south is tantamount to surveying the influx of external resources.

Subsequent to the first Revival Plan, six more followed from 1976 to 1990. The amount allocated in the programmes was about 45 per cent more than that which was actually paid out to the programmes, and the amount committed was 6.5 per cent more than the amount paid.[102] Furthermore, it is important to point out that this was not the initial budget as the budget for each programme (ranging from 154.25 billion lire in 1979 to 1,196.6 billion in 1988-90) was changed numerous times and in some cases, long after

[102] 3,283.78 billion lire was allocated, 2,834.2 billion lire was committed and the amount paid out was 2,268.8 billion lire (situation in 1993).

the programme's deadline. This practice gives a specific character to these programmes, which received other allocations, distributed directly to specific measures without altering the overall programme through annual financial laws. For example, as late as 1993, allocations were made to the 1985, 1986-7 and the 1988-90 programmes. What emerges from the account of the Revival Plan is a patchwork kind of programming, characterised by minor and major *ad hoc* changes as well as financial shifts from one measure to another without any significant overhaul. In short, there is much slippage from the initial programme during implementation. Thus, the programme is not an integrated one in the sense that all measures combine to make up a cohesive whole, but a patchwork of provisional, independent single measures. Another aspect that emerges and exacerbates the tendencies described above is the absence of temporal constraints. Time is money in the opposite sense here: even though beyond their deadlines, the programmes continue to receive more funds. This is a significant factor in explaining the difficulties Sardinia appears to have with EU programmes as no such *ad hocery* is permitted. Hence, while in theory Revival Plans constituted development planning and might have prepared Sardinian authorities for EU Cohesion policy, the regional administration was in fact, accustomed to a different form of planning. The role of the Italian state is also problematic in the sense that it failed to respect its commitments made under law 588 as it did not co-operate fully with the region (their plans worked separately) and thus the global and integrated nature of the programme was undermined (Ribichesu 1982:77). A fourth point which complicates matters further is the fact that often the overall amount of financial payments to Revival Plan programmes does not correspond to the sum of allocations per spending item, because further allocations made by financial laws are directly transferred to specific items (*La Programmazione in Sardegna* 1993:150). This made monitoring and evaluation (as well as accounting) redundant. Since this practice is practically institutionalised as a norm, it is a small wonder that working with EU Cohesion policy, which stipulates monitoring and evaluation, has not taken a smooth course. In fact, it makes for significant misfit between Cohesion Policy and native approaches. Before going on to develop this point further, we take a closer look at the individual programmes in terms of spending.

Table 16: Revival Plan programmes. Allocation, Commitment and Payments per programme expressed in lire in 1993.

Programmes	Income	Allocations	Commitments	Payments	A - I	A/I (%)	C/A (%)	P/A (%)	P/C (%)
1976/78	288,214,563,240	205,167,233,438	202,610,500,505	196,105,113,448	-83,047,329,802	71.19%	98.75%	95.58%	96.79%
1979	93,200,394,513	154,249,635,584	152,240,997,237	149,197,331,550	61,049,241,071	165.50%	98.70%	96.72%	98.00%
1982/84	832,190,116,367	743,818,208,389	699,618,555,747	653,485,465,492	-88,371,907,978	89.38%	94.06%	87.86%	93.41%
1985	127,952,656,729	304,097,434,845	276,502,022,360	224,895,426,683	176,144,778,116	237.66%	90.93%	73.96%	81.34%
1986/87	656,345,081,300	680,322,698,204	619,664,837,861	583,456,596,878	23,977,616,904	103.65%	91.08%	85.76%	94.16%
1988/90	270,894,595,332	1,196,598,052,230	907,003,462,135	507,500,536,072	925,703,456,898	441.72%	75.80%	42.41%	55.95%
Total	2,268,797,407,481	3,284,253,262,690	2,857,640,375,845	2,314,640,470,123	1,015,455,855,209	144.76%	87.01%	70.48%	81.00%

Source: elaboration of data from *La Programmazione in Sardegna* 14/15 1993 pp.160-5

Figure 10: Revival Plan Programmes. Allocation, Commitment and Payments

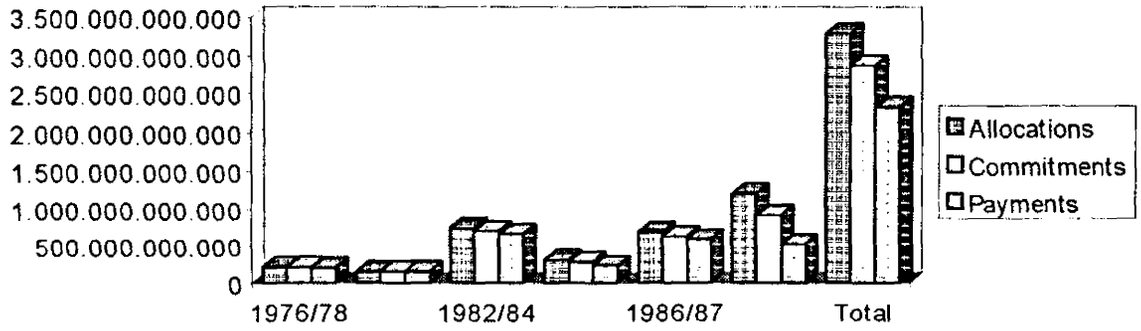

Table 17: Implementation of RP 1976-1990 in 1993

Sector	Allocations	Commitments	Payments	C/A (%)	P/A (%)	P/C (%)
Agriculture Title I	500,881,650,198	441,268,226,511	240,466,498,535	88.10%	48.01%	54.49%
Agriculture Title II	642,948,302,784	634,027,830,630	608,065,254,058	98.61%	94.57%	95.91%
Industry	687,212,007,032	596,262,281,145	582,582,359,100	86.77%	84.77%	97.71%
Tourism	253,651,565,339	219,248,507,792	170,822,236,015	86.44%	67.35%	77.91%
Social	115,000,000,000	108,672,564,136	35,185,021,118	94.50%	30.60%	32.38%
Territory	815,668,065,154	627,090,154,589	493,704,731,065	76.88%	60.53%	78.73%
General spending, studies, contingent expenses	268,422,524,330	207,614,902,026	157,867,543,273	77.35%	58.81%	76.04%
Total programme	3,283,784,114,837	2,834,184,466,829	2,288,693,643,164	86.31%	69.70%	80.75%

Source: elaboration of data from *La Programmazione in Sardegna* 14/15 1993 pp.160-5

Table 18: Law 268/1974. Allocation by programme and sector on 19 October 1993

Sector	1976/78	1979	1982/84	1985	1986/87	1988/89/90	Total
Agriculture (TI+TII below)	134,730,559,319	64,021,090,884	272,057,478,398	103,000,000,000	194,094,927,151	375,925,897,230	1,143,829,952,982
Agriculture Title I	30,730,559,319	35,601,090,884	106,216,666,665	71,000,000,000	50,000,000,000	207,333,333,330	500,881,650,198
Agriculture Title II	104,000,000,000	28,420,000,000	165,840,811,733	32,000,000,000	144,094,927,151	168,592,563,900	642,948,302,784
Industry	42,007,638,000	66,165,414,015	138,223,022,050	58,315,932,967	134,500,000,000	248,000,000,000	687,212,007,032
Tourism	5,800,000,000	9,279,571,981	49,023,294,790	92,594,501,878	61,954,196,690	35,000,000,000	253,651,565,339
Social	0	0	0	0	0	115,000,000,000	115,000,000,000
Territory	19,629,036,119	0	247,014,413,151	0	254,557,615,884	294,467,000,000	815,668,065,154
General spending, studies, contingent expenses	3,000,000,000	14,783,558,704	37,500,000,000	50,187,000,000	34,746,810,626	128,205,155,000	268,422,524,330
Total programme	205,167,233,438	154,249,635,584	743,818,208,389	304,097,434,845	670,853,550,351	1,196,508,052,230	3,283,784,114,837

Source: elaboration of data from *La Programmazione in Sardegna* 14/15 1993 pp.160-5

Table 19: Allocation by programme and sector in percentages on 19 October 1993

Sector	1976/78	1979	1982/84	1985	1986/87	1988/89/90	Total
Agriculture (TI+TII below)	65.67%	41.50%	36.58%	33.87%	28.55%	31.42%	34.83%
Agriculture Title I	14.98%	23.08%	14.28%	23.35%	7.35%	17.33%	15.25%
Agriculture Title II	50.69%	18.42%	22.30%	10.52%	21.19%	14.09%	19.58%
Industry	20.47%	42.90%	18.58%	19.18%	19.78%	20.73%	20.93%
Tourism	2.83%	6.02%	6.59%	30.45%	9.11%	2.92%	7.72%
Social	0.00%	0.00%	0.00%	0.00%	0.00%	9.61%	3.50%
Territory	9.57%	0.00%	33.21%	0.00%	37.44%	24.61%	24.84%
General spending, studies, Contingent expenses	1.46%	9.58%	5.04%	16.50%	5.11%	10.71%	8.17%
Total programme	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Source: elaboration of data from *La Programmazione in Sardegna* 14/15 1993 pp.160-5

As is evident from the above tables 16 to 18, there is much deducting and changing of programmes during their implementation. What is striking is that in 1993, some 3 billion lire had still to be paid out in the agricultural sector and the 1986-87 programme still had 478 billion lire to commit. Furthermore, the practice of multi-annual programmes founders as a result of the inability to respect temporal deadlines: for example, the 1985 programme was integrated into the 1982-84 programme; CIPE (*comitato interministeriale per la programmazione economica*, Inter-ministerial committee for economic planning) was still approving changes in 1993 of the 1988-90 programme). As is evident from Table 19, agricultural spending as a percentage of each year's allocation decreased steadily (from 65.67 per cent in 1976-78 to 28.53 per cent in 1986-87), with a slight increase in 1988-90 (to 31.42 per cent). Industrial allocations on the other hand, more than doubled (from 20.47 per cent to 42.9 per cent) from 1976-78 to 1979, but then more than halved in 1982-84 (to 18.58 per cent), and remained at about 19 per cent for the other three programmes. The so-called 'Tourism-Social-Territory' spending item was halved from the 1976-78 to the 1979 programme (from 12.39 to 6.02 per cent), but increased six-fold in the 1982-84 programme, increasing to a zenith of 46.59 per cent in 1986-7 and fell off to 37.14 per cent thereafter. It takes the lion's share of spending when all the programmes are taken together (37.07 per cent). Taking tourism separately, its increase in expenditure is congruent with the massive emphasis on coastal tourism during this period.

Spending capacity or 'absorption' is highest in agriculture mainly because spending in this sector means that implementation authorities receive the sums allocated. The spending capacity of the latter is not known (*La Programmazione in Sardegna* 1993 14/15). Agricultural spending is divided into two parts, title I and II. The disaggregated spending for agriculture is as follows: 56 per cent for the reform of the agri-pastoral sector, 35 per cent to forestry and 21 per cent was spent buying land to order to provide pasture lands as well as improving and transforming municipal and private lands. Spending on territory is also quite high (24.84 per cent) in terms of allocations over the six programmes. Measures in this sector include residential building, roads, and infrastructure for internal areas and urbanisation of Sassari and Cagliari. The social sector received the least amount of funds (3.5 per cent) and appeared only in the 1988-90 programme.[103]

[103]This is surprising given the fact that the Revival Plan is for the promotion of the economic and *social* revival of the island. Spending in this category was on schools (building and equipment) and encouraging school attendance.

Bottazzi and Loy (1997:306) outline three sets of limits to the Revival Plans. Firstly, interventions are neither sufficiently territorial nor sectoral. Furthermore, the economic and social heterogeneity of the island is not taken into account in the plan. This lack of selectivity leads to 'rain-drop interventions' (*interventi a pioggia*) which denotes a situation where public grants and aid are *distributed* rather than invested, among the largest number of recipients in a small quantity. Moreover, the economic efficiency of measures are not estimated nor calculated; and results are not evaluated. Secondly, in spite of the fact that the plans were to be economic and social, the latter part was neglected. This meant that sectors such as education and training - traditionally sub-standard in Sardegna - were not considered, probably due to the dearth of proposals for projects. That said, the social dimension did exist inadvertently in the agricultural sector, as some spending that could not be justified on economic grounds was geared to improving living conditions. However, the mix between economic and social objectives produced weak results in both spheres. Thirdly, taking all sectors into account, approximately a third of allocations (29.52 per cent considering years and 69.7 per cent when considering sectors) was not spent. The two authors attribute this absorption or spending capacity problem to the bloated bureaucracy of the regional apparatus on the one hand, and on the other, a general incapability of the regional administration to formulate projects, stimulate and aid programmes, monitor results and evaluate effects (Bottazzi & Loy 1997:306-7).

Taking a closer look at absorption problems which can be both of a commitment (as a proportion of allocations) or a spending (as a proportion of commitments) nature. The sector with the best record on commitments is agriculture[104], and more specifically the agri-pastoral reform[105] (98.61 per cent). Industry has the best record on spending mainly because half of the resources were transferred directly to regional public bodies, 20 per cent was grant aid and 27 per cent was spent on industrial infrastructure. A meagre 7 per cent was spent on services to enterprises. The worst record on commitments is held by the 'territory' spending item, in which 76.88 per cent was committed. The social sector scores lowest (32.38 per cent) on payments, even though 94.5 per cent of its resources

[104] Agricultural projects were mainly of the following type: water development for inter-sectoral use, development and promotion of wine, fruit, milk and cheese sectors, public agricultural works, land improvement for livestock rearing, fruit and vegetable development, indoor plan development, interventions to reduce the deficit in the regional agri-food budget, co-ordination programme for the development of sheep farming, fisheries and acquaculture, irrigation, improving agricultural structures and the development of youth entrepreneurship.

[105] The other agricultural sector was mainly concerned with agri-pastoral reform, buying land for pasture use, improving grazing and forestry (which accounts for 63.24 per cent of the total allocation to the agri-pastoral reform).

had been committed.[106] The worst programme on commitments is the last one (1988-90) which committed 75.8 per cent of resources and scored 55.95 per cent on payments.[107] This is because it was probably still in the process of being implemented when the study was undertaken in 1997.

Where did the funds come from? As is evident from table 20, the state made the lion's share of contributions (2,268.8 billion lire, 46 per cent) and the region contributed 27 per cent. About 12 per cent came from interest obtained as well as recovered and reimbursed funds. The remainder came from article 28 of law 268/1974[108] (8 per cent), budget laws (*Finanziaria*) (7 per cent) and the so-called reserve fund (*Fondo di riserva*). The state did not make any contribution to the 1985 and the 1988-90 programmes.

As is evident from Table 20, there are several funding bodies for the Revival Plans. Once again, such a mix is reminiscent of EU Cohesion Policy in that it too is made up of a myriad of funds. Although it is a little more complicated, one would expect a certain policy fit, that is, Sardinia would have been well able to administer the policy due to its prior experience. However, this has not been the case as shall be seen further on.

[106] Tourism, social and territory measures included urban improvements, residential building, camping zones, youth hostels, tourism infrastructure, integrated complexes in thermal zones, hygiene works in municipalities, buying, completing and restructuring of cultural works in provincial capitals for services, tourism development, youth entrepreneurship in tourism sector, building and school equipment, major roads, environment and the development of third level airports.

[107] These figures are for October 1993.

[108] Article 28 of law 268/1974 reads "[..] with the law that approves the state budget in each of the financial years from 1975 to 1984, there will be a further sum to be attributed in addition to that provided for by this law for objectives title I and II of that law [..]".

Table 20: Where the Revival Plan funds came from. In lire.

Programmes	State	Art. 28 of 268/1974	Region	Financial laws	Reserve Fund	Other	Total	Programme total
1976/8 Tit I	136.000.000.000	0	0	0	0	23.834.708.318	159.834.708.318	288.214.563.240
Tit II	104.000.000.000	0	0	0	0	24.379.854.922	128.379.854.922	
1979 Tit I	34.000.000.000	33.200.000.000	0	0	0	348.230	67.200.348.230	93.200.394.513
Tit II	26.000.000.000	0	0	0	0	46.283	26.000.046.283	
1982/4 Tit I	170.000.000.000	150.000.000.000	129.050.000.000	160.000.000.000	0	48.905.582.682	657.955.582.682	832.190.116.367
Tit II	130.000.000.000	0	0	0	0	44.234.533.685	174.234.533.685	
1985 Tit I	0	0	69.750.000.000	0	0	39.570.601.111	109.320.601.111	127.952.656.729
Tit II	0	0	0	0	0	18.632.055.618	18.632.055.618	
1986/7 Tit I	335.000.000.000	0	167.222.636.780	0	29.810.626	44.674.780.565	546.927.227.971	656.345.081.300
Tit II	95.000.000.000	0	0	0	0	14.417.853.329	109.417.853.329	
1988/90 Tit I	0	0	87.005.633.560	0	1.302.548.227	12.243.068.592	100.551.250.379	270.894.595.332
Tit II	0	0	167.366.647.500	0	0	2.976.697.453	170.343.344.953	
Total	1.030.000.000.000	183.200.000.000	620.394.917.840	160.000.000.000	1.332.358.853	273.870.130.788	2.268.797.407.481	2.268.797.407.481
%	45,40%	8,07%	27,34%	7,05%	0,06%	12,07%	100,00%	

To recap briefly, Sardinia has had an extensive pre-EU Cohesion Policy experience of territorial development policy. Moreover, it also encountered some of the principles that that policy introduced in the 1980s. These principles did not get beyond the written stage in the sense that they were not implemented. The novel approach to local development espousing notions such as inclusion of social partners, participation of local populations and utilising local resources that appeared as early as the 1950s in Sardinian development documents, was scuppered in favour of an industrial policy based on the petrochemical mono-culture.

There would appear to be several elements of fit between Cohesion Policy and Sardinian development policy. First, multi-level governance has characterised development policy with the involvement of several layers (central state, region, *cassa*). Second, the use of multiple funds is a commonality. Hine advances a 'congruence' between the style of politics and public policy-making to which Italians have become used to over forty years and the style of Community institutions and decision-making procedures. He also likens the Community political system to the Italian one as they are both "multi-tiered and pluralistic"; "there is no strong executive and a clear-cut majority-minority divide" hence "majorities in favour of given policies are in both systems fragile and pliable, so that decisions need to be taken on the basis of a very broad consensus"; "neither the Italian government nor the Commission-Council tandem can count on pushing legislation through in a form which resembles that in which it was introduced, or to a predictable timetable"; "both systems are heavily juridicised and based upon marked elements of inter-institutional and territorial bargaining"; and "both display a great deal of ambiguity about the status of decisions and the point at which decisions have actually been taken" (Hine 1993:286).

On the other hand, misfit would appear to centre on the following elements. First, a bizarre kind of programming characterised by periodic *ad hoc* changes to the detriment of any kind of integrated or integrated momentum. Second, a general disparity between instruments and objectives and thus significant slippage from initial aims in the implementation phase. Third, an inability to meet temporal constraints compounded by the above-mentioned *ad hoc* periodic changes. Fourth, 'absorption' or spending problems with funds going unused or being merely distributed. Fifth and as a consequence of the first three, inability to monitor programmes and hence to undertake any meaningful evaluation, either *ex ante* or *ex post*. Hence, where fit may be posited at a 'descriptive' institutional level, the practical perspective highlights the predominance of misfit. The

chapter now turns to initial experiences with EU Cohesion Policy in order to examine whether this misfit holds.

EU Membership and Aspects of Cohesion – the Initial Years

"Italy's original membership of the Community was more a political act of faith than a reflection of the country's real economic strength" (Hine 1993:284). In joining the EEC Italy accepted the principles of the Common Agricultural Policy (CAP) in order to acquire a market for its industrial exports. This meant that agricultural regions largely lost out as industrial interests were more powerful and

> "the indifference of the Community toward Italian agricultural problems was matched by the lack of any constructive attitude on the part of the Italian authorities .. [as they] were unable to present an acceptable allocation programme for those funds that the Community put at the disposal of Italian agriculture" (Roccas 1980:110-111).

The entire south of Italy was eligible for funding from the inception of the ERDF, but the *cassa* was assigned the responsibility for applications. This move reduced the role of regions, hitherto responsible for regional development (Merloni 1985). Clearly, these two factors affected Sardinia somewhat. Firstly, it was an agricultural region, which had to subscribe to a CAP geared in favour of northern European countries. Secondly, the leading role the region could have played in its own development was curtailed as a result of the *cassa*'s protagonism in the field.

In general, although efficiency has characterised drawing down funds in Italy, absorption or spending capacity problems emerge thereafter, thus delays in implementation were rife (See Mele 1990:704-706; Desideri 1994:13). For example, from 1975 to 1985, Italy failed to spend up to 6,000 billion lire and paid out only 50 per cent of its allocations (Songini 1988). This is generally thought to be due to *inter alia* the novel character of programme planning (although as we have seen this is not the case for Sardinia). One DG-XVI functionary lays the blame for the inefficiency of Structural funds spending in Italy with the viscosity of the Italian politico-administrative system, particularly at the regional level, which is not compatible with the management of the funds (Ciardelli 1992:190), even though regional administrations had little or no involvement to begin with as the *cassa* was responsible for the ERDF.

Integrated Mediterranean Programmes

As we have seen in chapter three, the IMPs ushered in the 1988 reform, which altered the procedures of Cohesion Policy. As expected, considerable adaptational pressure resulted in Italy and Sardinia. Bianchi (1993:56) undertook an evaluation of the first IMPs and concluded that most Italian IMPs are "like causal sets of actions, that is, mere sources of financing" as opposed to programmes as such.[109] Two of his other main findings are of concern here. First,

> "[..] despite their marked multisectorality, IMPs are hardly recognisable as a genuine manifestation of 'integrated development'. Ironically, the multi-sectoral approach operates, given the limited amount of resources and the pronounced sectoral fragmentation, to reduce the potential impact of the IMP" (1992:56).

Second, monitoring procedures were little other than book-keeping methods. In relation to the first, he advances that

> "[t]he integrated approach, as such, cannot be made responsible for the failure of the programmes, the shortcomings and the contradictions which have appeared in some specific instances. It is quite obvious that despite the attempts to experiment with pilot projects and other preparatory measures the IMPs were designed and put into practice without any serious consideration of the local institutional and societal context" (Bianchi 1993:64).

Moreover, Desideri (1994:13) asserts that the very nature of the IMPs encountered difficulties in Italy such as, the lack of properly trained staff, political interference in administrative questions, and some regions assigned the task of drawing up IMPs to external consultants which led to the absence of regional officials at formulation stage, and consequent confusion at the implementation stage. Bianchi (1993) does, however, point to some positive outcomes in relation to institutional and social partnership in Italy generally. Although IMPs were introduced in 1985, due to some initial hurdles and delays, the Sardinian IMP was initiated after the 1988 reform and was thus incorporated into the first Community Support Framework. It is to this first real experience with Cohesion Policy that the chapter now turns.[110]

In June 1986 Sardinia sent its IMP proposal, which was drafted by the Regional Centre for Programme Planning to the Italian government. The idea behind the plan was to seek to resolve the basis of misfit that had obtained *vis-à-vis* Cohesion Policy until then. Thus the IMP was conceived as an overall and complete programme design and was not

[109]This is unlike French IMPs – "components of broader, yet unknown, plans", and some Greek IMPs - territorial plans.

[110]The following account of the introduction of the IMPs in Italy and Sardinia is based on Songini (1988; 1991) and Piga (1986a; 1986b) as well as interviews.

limited to co-ordinating the IMP regulation[111] resources. It was to integrate all funds and instruments in order to reduce fragmentation among programmes. In fact, it was similar to the Revival Plan in the sense that it sought to introduce one document to cover and co-ordinate, even simplify the plethora of regional, national and EU initiatives in the region. Funding to the tune of 3,500 billion lire (of which 1,500 billion from the EU) was requested.

In December 1986, the CIPE reduced all Italian regions' requests from 17,800 billion to 8,250 billion, which came closer to the amount available for Italy (between 5,000-6,000 billion lire). Sardinia's IMP was chopped by four fifths (to 700 billion lire) without any alterations to the programme details and objectives.

In February 1987, the IMPs were sent to Brussels where it emerged that the request for funding was still far too high. Hence, the Commission requested Italian regions to identify priority measures in which planning had preferably already commenced. However, Sardinian authorities stuck to the principle that the IMP was an overall design directed to all EU funds and not just the IMP funds. Subsequently, the Commission gave the Sardinian regional authorities a draft overall orientation of the IMP in which it proposed concentrating intervention on some development axes within the five sectors of the original programme (agriculture, tourism and the environment, SMEs, artisans and training). Thus a new programme was drafted with four sub-programmes, each of which contained some training measures (agriculture and fisheries, artisans and SMEs, tourism and the environment and implementation and monitoring).[112]

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[111] Regulation 2088/1985.

[112] Under the first sub-programme of the IMP - agriculture and fisheries - the following measures were included: a study of the market for sheep cheese and meat products; a market study of quality wines; genetic and health improvement of sheep; a study on aromatic and medicinal plants; two measures on the cork oak tree; training and employment of multi-purpose agricultural experts; rural infrastructure (roads and electricity); a fish market in Porto Torres; research on fish and acquaculture; professional training in agriculture, fisheries and acquaculture; and centres of professional training. The second sub-programme - SMEs and artisans - comprised measures such as share financing; leasing; services to enterprises (BIC); applied research and technological offices/help desks; construction of pilot centres for artisans; a diffusion of quality brand name for artisan products; commercialisation and market research; training; and incentives to artisans. The following measures were a part of the third sub-programme - tourism and the environment: training for tourist operators; a computer system for tourism; management and care of the environment; tourism promotion; Corsica-Sardinia interventions: parks, forestry; infrastructure, hotels and itineraries; environmental forestry; ecological train journeys; thermalism; and a hotel school in Pula. Finally, the fourth sub-programme dealt with the implementation and monitoring of the programme and had such measures as monitoring and evaluation; studies and project making; advertising; information; training; informative material and telecommunications.

Brussels approved the final plan on 22 July 1988 and the programme contract was signed. The final financing approved was 295 billion lire[113] (45 per cent from the EU, 51 per cent from the region and 4 per cent from the private sector). Because of the significant delay in agreeing on the plan - it took two years - the time scale was reduced and the IMP was to run from 1988 to 1992 (divided into two periods of three and two years). The Commission failed to rectify the built-in bias towards the poorer regions, which were supposed to receive more funds as Tuscany received about 18 per cent (350 billion) more than Sardinia.[114]

In the wake of such a laborious beginning, Sardinia's IMP did not find a smooth course. The split in the time period mentioned above ensured a 'check-up' after the first three years on the basis of which funds were added or deducted for the subsequent two years. The check-up was enacted on 31 December 1990 and Italian regions were classified into four groups.[115] Sardinia was put into the third group as its payments stood at 19.6 per cent. The EU and the state scheduled technical meetings with regions in view of - what they called - the 'IMP emergency'. The problems that emerged from these meetings and encountered by all regions arose from a general misfit between the IMP and local institutional structures. First, there were legal setbacks consisting of delays in approving regional laws for the implementation of the IMP. In Sardinia's case, the EU approved its IMP in 1988 but the regional financial regulation necessary for implementation came into being in June 1989. Second, regions had some difficulties with control organs such as the *Corte dei conti*.[116] Third, the administrative committees[117] were established late. Fourth, there was insufficient co-ordination among Community, national and regional regulations in relation to new procedures. Fifth, difficulty was encountered in activating decision-making procedures and administration due to elections or political crises. Sixth, not enough projects were formulated apparently due to the insufficient amount of

[113]The final financing was one tenth of the original Sardinian request and a quarter of the government request.

[114] Interestingly, CIPE is supposed to ensure that two-thirds of resources are allocated to the Mezzogiorno (Grote 1996:265). However, in the first place CIPE sent a Tuscan request for 813 billion to the European Commission – 16 per cent more than the Sardinian request.

[115]The first group (Tuscany, Emilia-Romagna and Molise) which had more than about 63 per cent of their funds paid were deemed to have satisfactory performance; the second group (Abruzzo, Basilicata and Umbria) had paid between 30 to 36 per cent of their funds; the third group (Sardinia, Lazio and Marche) scored about 18 per cent on payments; and finally the last group had paid an insignificant amount of funds (in Campania's case, nothing was spent) (Songini 1991).

[116] The *Corte dei conti* delayed some decrees for spending emitted from regional departments because the region was slow in setting up the administrative committee stipulated in the IMP. The presidential (executive) decrees of 11 July 1990 countered this somewhat as it set up one administrative committee for all EU programmes (Songini 1991:17).

[117]To co-ordinate EU funds and programmes at a regional level, a presidential decree of the executive provided for one administrative committee for all Community Support Framework programmes chaired by the President of the executive or a nominee and also includes EU representatives, the state and the region (Songini 1991).

Operational Programme (357.16 billion lire) (*Programma operativo plurifondo*). The National Programme of Community Interest concentrated on the priority sectors of tourism, the environment, artisans and SMEs. The Operational Programme encompassed the strategy of creating an environment favourable for economic development through infrastructural interventions which were neglected in the IMP and the National Programme of Community Interest. The IMP (342.22 billion lire) had the objective of favouring the development of the island through the potential of promising activities and the modernisation of economic structures, and it and the Operational Programme laid emphasis on human resources through a series of training measures linked horizontally to the productive sectors of intervention.

National Programme of Community Interest

The biggest of the Community Support Framework programmes, the National Programme of Community Interest was entirely ERDF funded and articulated in three sub-programmes, that is, tourism, the environment and artisans and SMEs. These sectors have long been developmental priorities in Sardinia. It was supposed to emphasise the "endogenous potential" of the region (National Programme of Community Interest). To a certain extent, the environment and tourism measures continue from the first and second annual plan for the implementation of extraordinary intervention (*primo e secondo Piano annuale di attuazione dell'intervento straordinario*). To follow and evaluate the National Programme of Community Interest, a management committee comprising regional, national (Minister for extraordinary intervention in the Mezzogiorno) and the European Commission (DG-XVI) was set up.

Table 22: National Programme of Community Interest 1989-1993 by sector in million lire

Sector	Allocations	Commitments	Payments	P/C %	P/A %	C/A %
Artisans and SMEs	315,392	315,392	245,000	77.68%	77.68%	100.00%
Tourism	195,000	195,000	114,434	58.68%	58.68%	100.00%
Environment	176,100	176,100	64,496	36.62%	36.62%	100.00%
Infrastructure	59,000	59,000	40,219	68.17%	68.17%	100.00%
Total	745,492	745,492	464,149	62.26%	62.26%	100.00%

While the IMP centred on developing some particularly promising activities and modernising the economic structures of the island, the National Programme of Community Interest emphasised the potential of some priority sectors of the region that have been the subject of the planning commitment of regional authorities. There were no agricultural or training measures. It applied to the whole island on the basis of the

justification that economic backwardness characterises all of Sardinia. Funding came from the EU and the region on a fifty-fifty basis.

Operational Programme 1989-1993

The Operational Programme[122] was made up of four ERDF sub-programmes (communications, tourism, support infrastructure and programme implementation), one ESF sub-programme (training) and five FEOGA sub-programmes (rural infrastructure, development of local agricultural products, modernisation of livestock sector, development of rural world and natural resources).

Table 23: Operational Programme 1989-1993 by sector in million lire

Sector	Allocations	Commitments	Payments	P/C %	C/A %	P/A %
Agriculture and Fisheries	77,760	65,311	36,126	55.31%	83.99%	46.46%
Artisans and SMEs	112,489	90,006	68,177	75.75%	80.01%	60.61%
Tourism	26,062	21,237	13,140	61.87%	81.49%	50.42%
Environment	29,030	29,030	11,374	39.18%	100.00%	39.18%
Infrastructure	144,065	134,393	66,448	49.44%	93.29%	46.12%
Total	389,406	339,977	195,265	57.43%	87.31%	50.14%

The sub-programme on developing the rural world was to implement the actions provided for by the Community Support Framework "enhancing agricultural resources and rural development". The idea behind it was to favour a more rational use of resources and access to alternative outlets for local products. Within this, measures for agricultural tourism and some environmental measures were adopted but subsequently abandoned because of the lack of a regional regulation and the absence of implementing authorities respectively. In any event the following measures were adopted:

- the establishment of a regional agricultural meteorological service with an information service, a regional centre and seven peripheral offices in order to provide information on the weather to farmers;
- alternative livestock rearing and the development of equine sector through the establishment of a genetic centre of equine species in Sardinia, protection of the Giara pony and the production of the "Giarab" pony;
- land protection and study of hydrographic basins;

[122] The 1988 reform had largely been anticipated by the IMPs. Operational Programme/Community Support Framework and IMP implementation follow the same lines. The regional administration drafts the programme and submits it to the Minister for the Co-ordination of Community Policies. Subsequently, the Inter-ministerial Committee for the Co-ordination of EU Structural Funds which includes a regional representative, gives an opinion and sends it off to CIPE. Evaluation and control units and the Ministry for Co-ordination of Community Policies make a final evaluation and modifications in accordance with national economic policy. CIPE then sends it off to the Commission and a contract is sought with the state and the region for programme implementation (Grote 1996:265-266).

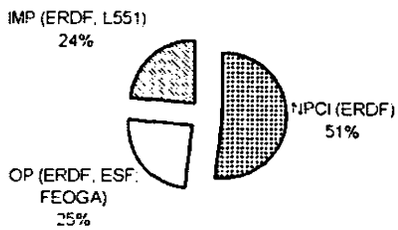
- system of protected areas in Sardinia (Operational Programme 194).

Most of these measures were funded under the FEOGA fund and managed by the Department of Agriculture (*assessorato all'agricultura*). Under the ESF, training for agricultural workers was provided.

The overall Community Support Framework

As outlined previously, the CSF was composed of the IMP, the National Programme of Community Interest and the Operational Programme.

Figure 11: CSF 1989-1993



The difficulty encountered in particular with regard to the ERDF, in implementation as well as the tardiness of the region, led to the introduction of changes. The original programme is below.

Table 24[123]: CSF 1988-1993 in million lire by programme in 1996

Programmes	Allocations	Commitments	Payments	C/A (%)	P/A (%)	P/C (%)
IMP	342,223	328.233	158,156	95.91%	46.21%	48.18%
NPCI	745,492	745.492	464,149	100.00%	62.26%	62.26%
OP	357,161	341,870	182,267	95.72%	51.03%	53.31%
Total	1,444.876	1,415.595	804,572	97.97%	55.68%	56.84%

Source: elaboration of data from Regional documents and Bottazzi & Loy (1997:309)

[123] The official evaluation on the Community Support Framework, completed in September 1994, holds that 59% of IMP allocations were spent (46% of committed funds), 71% (62% of committed funds) of National Programme of Community Interest allocations and 65% (53% of committed funds) of Operational Programme allocations were spent.

In December 1992, the Sardinian Department of programme planning submitted a proposal to the EU for revising the Community Support Framework which included the enlargement of some measures to avoid the loss of funding as a result of failure to meet the minimum objectives stipulated for spending. In January 1993, DG-XVI agreed to some changes but reserved its opinion on others pending more details. The idea behind the changes was to accelerate spending and better qualify priorities. In June 1993, 85 per cent of sums had been committed and 51 per cent (of committed sums) paid. Within the IMP (88 per cent committed and 44 per cent paid), 13 billion was subtracted from the ERDF part (tourism, green train circuit and thermalism) and 16.16 billion lire from the L551 part (leasing, pilot artisan centres, wine studies etc.) and added to incentives to artisans. Within the National Programme of Community Interest (98 per cent committed and 66 per cent paid), 14 billion was taken from an environmental measure (Molentargiu pond) and plans for productive establishments and added to incentives to artisans. Another 86 billion was taken from the ERDF part of the National Programme of Community Interest (incentives to tourist enterprises, cultural itineraries, controlled waste, purifying apparatus, nature walks etc.). The Commission reduced the ERDF commitment to the Operational Programme (59 per cent committed and 30 per cent paid) by 10 million ECUs because of the risk of not spending money. EU funding for the environment increased from 60 to 65 per cent and other ERDF measures from 50 to 60 per cent (*La Programmazione in Sardegna* 1993:136-7). Thus much funding was transferred to the artisan sector which was justified on the basis that funds are more easily absorbed (ibid. 13). Whether this could be justified from a developmental point of view is another matter not alluded to herein. It brings to light the effects of pressures to spend money, that is, that sectors that absorb funds easily are targeted with programmes without necessarily a developmental reason. The ERDF and L551 have higher commitment levels (94 and 93 per cent respectively) than FEOGA (65 per cent) and the ESF[124] (57 per cent). ERDF payments are also the highest (55 per cent): higher than the ESF (47 per cent), L551 (45 per cent) and FEOGA (39 per cent).

[124] This is continuous with the difficulties encountered with social spending in the Revival Plans.

Table 25: Fund performance per programme[125]

Programmes	C/A %	P/A %	P/C %
IMP ERDF	90.01%	25.53%	28.36%
IMP 551	92.58%	44.53%	48.10%
IMP EAGGF	83.69%	54.71%	65.37%
IMP ESF	86.24%	86.24%	100.00%
IMP Total	88.25%	44.23%	50.12%
NPCI ERDF Total	97.91%	65.65%	67.06%
OP ERDF	77.32%	23.20%	30.01%
OP EAGGF	46.52%	22.60%	48.58%
OP ESF	51.37%	39.85%	77.57%
OP Total	58.84%	29.96%	50.91%
All Total	84.91%	50.91%	59.96%
ERDF Total	94.05%	54.57%	58.02%
551 Total	92.58%	44.53%	48.10%
EAGGF Total	65.11%	38.66%	59.38%
ESF Total	57.01%	47.35%	83.05%

Source: *La Programmazione in Sardegna*

In the Community Support Framework[126], programmes were approved at different stages and the region provided for investment in numerous sectors often without overall co-ordination and without taking account of the long time frames needed for their implementation. Thus many infrastructural projects were abandoned in favour of artisans "which constitutes the only sector that can absorb a part of sums. Thanks to this decision, the region did not lose the ERDF contribution [...]" (Community Support Framework 1994-1999:195-6). It is obvious that financial incentives are easier to 'dole out' than other more complex types of intervention.

The evaluation of the Community Support Framework was compiled by the regional administration and emphasised the "organisational dysfunctionalism" that characterised the implementation of Community programmes (Community Support Framework evaluation 1994:10). The report attributed delays in implementation to several factors. First, administrative procedures are chronically slow. Second, the involvement of numerous actors led to an excessive fragmentation of interventions on the regional territory. Third, no co-ordinating structure existed to enable a constant control of programme implementation until July 1990. Fourth, local authorities were incapable of making proposals and consequently, the project portfolio of responsible departments was inconsistent. Fifth, numerous permits were required to access financing (Community Support Framework evaluation 1994:10). It also pointed to the dearth of a culture of

[125] Situation in 1993.
[126] The Community Support Framework also included INTERREG I and the global grant.

monitoring and accounting in Sardinia as public administrators have tended to concentrate on operational aspects rather than monitoring implementation. Finally, EU funds were considered 'residual' when compared to the financial resources provided by the extraordinary intervention of the Mezzogiorno (law 64/1986). In order to counter these aspects, in the wake of the first Community Support Framework, working groups were set up in each department to survey the implementation of Community programmes.

Conclusion

This chapter establishes misfit between Cohesion Policy and domestic development policies in Sardinia. Discordant elements are listed and classified in table 10. First, there have been conundrums of a legal nature such as those relating to legislation. The time-frames involved in approving regional laws as well as the inability to activate national laws go against the ebb of Cohesion Policy implementation which operates according to fairly rigid time-frames. This situation is compounded by the legal 'nit-picking' of administrative organs such as the *Corte dei Conti* which may delay legislation even more. The fact that Italy is a *stato di diritto* in the sense that "strictly speaking, there can be no action of public administration within the Italian framework which is not directly mandated by a law or by a quasi-legal norm" means that "[public administration] concentrates on formal rules and rule-making to the neglect of what actually happens" (Furlong 1994:79-80). This also means that the establishment of fairly standard 'administrative committees' requires legislation to be passed and thus may take quite a while. Moreover, issuing authorisations and permits takes a relatively long period of time. Second, bureaucratic type hiccups relate to the general slow-moving nature of the administration, in relation to the issuing of authorisations for example, which gives rise to severe delays. The Italian administration in general tends to be characterised by a lack of capacity or competence in relation to the tasks assigned to it, is noted for its sluggishness and it concentrates on procedures as opposed to actual performance. All of these characteristics make for a significant mismatch with Cohesion Policy. Third, programmatic hurdles include basic incomprehension of EU programmes, for example in the case of the IMP in which the Sardinian regional authority interpreted the IMP in an entirely novel but inappropriate way. This interpretation can be attributed to the real need for a 'co-ordination programme' to somehow weave all the different national, regional and EU programmes together. However, the IMP was not the appropriate instrument. Other programmatic snags include the inadequate number of projects and the excessive number of measures and consequent fragmentation. Both monitoring and

evaluation requirements have also given rise to some stumbling blocks due to technical difficulties in the case of the former, and in the latter case, evaluation has not been entrusted to third (independent) parties. Thus there is a tendency to lay the blame for inadequate implementation at the door of putative 'weak actors'. Fourth, political complications have added to the hotchpotch of elements of misfit. Regional authorities have been slow to attribute salience to EU Cohesion Policy simply because other more readily accessible sources of funding existed. This situation has been petering out for some time now however, and thus interest has been on the increase. The Italian notoriousness for frequent elections and political crises also bears out in relation to Cohesion Policy difficulties. Finally, partnership hitches relate to the involvement of actors with no previous experience, the involvement of too many actors and the absence of private actors.[127]

[127] On 30 September 1994, no private payments had occurred for the 1988-1993 Community Support Framework apart from the 8,656 million lire under the FEOGA part of the Operational Programme.

Table 26: Classification of elements of misfit

1. Legalistic
- Delays in approving regional laws
- Failure to activate national laws
- Legal 'nit-picking' by central state organs
- Establishment of administrative committees
- Authorisations and permits

2. Bureaucratic
- Sluggishness giving rise to delays
- Lack of capacity or competence
- Authorisations and permits
- Administrative concentration on procedures as opposed to actual performance

3. Programmatic
- Not enough projects
- Fragmentation – too many measures
- Technical difficulties with monitoring
- Incomprehension of purpose of IMP
- Self-evaluation drawing some 'interesting' conclusions
- No co-ordination

4. Political
- Elections and political crises
- Lack of interest due to low salience due to the amount of funding involved (when compared with overall 'cohesion' budget)

5. Partnership
- Involvement of weak actors
- Too many actors
- No private actors

What emerges from the above five elements is that in Sardinia, development programmes from the Revival Plans to the first CSF have been designed and implemented without any serious regard for the local institutional and social context. This gives rise to a serious case of misfit between policy and context. Misfit has led to serious 'absorption' or 'spending capacity' problems resulting in a shoddy implementation of development policy in general. In order to rectify this situation, some changes were introduced (see Table 27). First, one administrative committee for all EU programmes will counter some of the legalistic and bureaucratic problems described above. Second, a procedure whereby budget changes do not require legislation is certainly a positive innovation in such a languishing system. Third, the establishment of working groups in each department to survey implementation is also a procedural improvement. Fourth, the Italian state attempted to overhaul southern policy's institutional arrangements with law 64 in 1986 which granted more responsibility to

regions in planning and development. Moreover, a Department for the South was established at central level to co-ordinate development policies and it was to rely on an Agency to carry out the former functions of the *cassa*. The implementation of Cohesion Policy in the first programming period however, served to assist botching this reform as it showed up the policy incapacity of regions and failed to make inroads into traditional southern policy (Bull & Baudner 1993). Inter-institutional feuding in relation to competencies also served to flummox the reform.

Table 27: Formal institutional changes

- One administrative committee for all EU programmes
- Introduction of procedure whereby budget changes do not require laws
- Working groups set up in each department to survey implementation

To conclude, the Sardinian context of development policy and initial experience with EU programmes has been outlined here. Significant misfit has been established. Chapter 6 goes on to deal with local development more specifically, adaptation strategies and European Commission institution building in Sardinia.

SECTION III

THE LATTER YEARS OF COHESION POLICY IMPLEMENTATION: COPING WITH MISFIT

Chapter 5

Ireland: Towards Transformation?

Introduction

Institutional change in Ireland can be conceived as a gradual process of learning through experimentation, emulation and permeability. Chapter 3 demonstrated that adaptational pressure was high and the internal conditions for change were ripe. That is to say, a persistent condition of underdevelopment *vis-à-vis* other EU states and continuing differential internal development underscored the failure of development policies, and excessive centralisation and the absence of a regional dimension to development policy constituted flagrant policy misfit. Certain external factors contributed to weld decision-makers' perception of the need for change. For example, Cohesion Policy and its generous benefits for Objective One regions acted as an incentive to follow certain policy courses emanating from the European Commission. Chapter 2 illustrates how European Commission policy documents had long concentrated on and advocated a certain kind of regional development based on decentralisation, partnership etc as the preferred policy paradigm (Hall 1993). Despite much lip-service, this paradigm was never really heeded and was, indeed, skilfully dodged by Irish decision-makers who preferred sectoral approaches to development. In fact, the regional level in Ireland was characterised by arbitrary and constantly changing boundaries, and the institutions that operated at this level were mono-functional state-sponsored bodies as opposed to territorially-based entities. The subsequent shift in emphasis to local development was more conducive to the Irish situation where counties rather than regions had underpinning in terms of identity, institutionally and geographically.

Forming part of a kind of 'advocacy coalition' (Sabatier & Jenkins-Smith 1993) alongside the European Commission, were some domestic actors such as the ESRI – successive governments' most authoritative source of thought and evaluation – which

recommended a local development Operational Programme in its review of the first CSF. Initial successes from the LEADER experience provided further material for this advocacy coalition to promote their paradigm. The Taoiseach's department, acting as a norm entrepreneur or change agent supported the advocacy coalition and wholeheartedly embraced the local development paradigm. Its position as a front runner at central state level in a highly centralised system of governance, facilitated its ease of action. Other assets held by the Taoiseach's department such as access to European Commission thinking at the highest levels, a fairly straightforward uncomplicated legal system in which to experiment new structures, centralised clout and consensual partnership relations nationally, all combined to enable it to successfully negotiate and enact change. The puzzling part of policy, that is, what to do (Heclo 1974) had already been catered for by the presence of numerous policy documents pioneering local development, not only from the European Commission, but also from the OECD. Thus, the structures that emerged locally constituted an adapted emulation, albeit somewhat *sui generis* due to the exclusion of local government, of what was advanced in these documents. Linking these structures to Cohesion Policy facilitated a pilot, transitional, almost 'trial and error' experimental period in which much institutional overlap, duplication, confusion and uncertainty was tolerated. It also made powering, that is, how to get changes through (Heclo 1974), easier by borrowing the legitimacy of Cohesion Policy to eschew objections. Anchoring experiments however was a different matter. During the transitional, pilot period, many experiments were made to correct the institutional problems listed above and thus attempts were made to formally reform local government, enhancing its clout and capacity while exposing it to interaction with these bodies in an interim period in order to equip it to eventually merge with local development structures. The dynamism of local development bodies as well as their fundamentally participatory nature was allowed to permeate local government. Taking Hall's (1993) different orders of change, the period under the first CSF was characterised by minor changes akin to a first order change in policy instrument settings – the involvement of CEBs and IRDPP. The incorporation of the latter however, served ultimately to dilute its innovative aspects and avoid change. The second CSF was characterised by a second order change as modifications were made to policy instruments through the Operational Programme for Local Urban and Rural Development. Attempts to anchor these changes in mainstream programmes and spending by tying local development structures to a renewed, reinvigorated local development structure on paper constitutes a potential third order change, because a new local institutional level based on a wide participatory and representative structure is acquiring roots in the Irish institutional configuration. Moreover, the very definition of the policy problem has changed. That is to say,

development problems are no longer considered solely in terms of Ireland *vis-à-vis* the rest of the EU. Internal differential growth and development problems have been recognised and therefore, combating internal disparities now goes hand-in-hand with mainstream development. It has to be said that new-found economic growth and prosperity enabled this enlightened vision which took expression in the third and latest NDP from 2000 to 2006 in the form of a systematic spatial element to all policies. In other words, having made ground on other EU countries in terms of development, decision-makers can now 'afford' to look at domestic disparities.

The likely conditions for movement from one paradigm to another are the accumulation of anomalies, experimentation with new forms of policy and policy failures that cause a shift in the locus of authority over policy and a wider contest between competing paradigms. In Ireland, that these conditions obtain becomes evident as this chapter unfolds. The process is gradual and indirect. Notwithstanding, this policy change and institutional learning and change have been obfuscated by the irreverent, late and spurious acquiescence of Irish decision-makers to the regional development paradigm: the 'creation' of two new regions, regional assemblies to administer them and two operational regional programmes in the NDP 2000-2006. This move was motivated by the threat of losing out on Structural Funding due to economic prosperity. As a whole Ireland surpassed the EU average and if it had remained as one region for the purposes of structural funding, it would have only been eligible for Objective One in Transition status. A crafty plan to mitigate the effects of dwindling Structural Funds proposed dividing the country into two regions, one which would continue to qualify for Objective One status and one eligible for Objective One in Transition status. However, this move was toned down by EUROSTAT, which let decision-makers teeter while it took time to decide, and although it finally accepted the division, it switched two counties from the 'poor' region to the 'not-so-poor' region. What this and other episodes recounted below reveal, is that changes are influenced by the European Commission and more especially Cohesion Policy. This chapter deals with institutional change. In order to do so the second CSF, in particular the Operational Programme for Local Urban and Rural Development is explored with a view to exposing the degree of importance of local development. It then comparatively examines local development structures and identifies the institutional difficulties characteristic of this experimental period. It concludes by identifying the main elements that make up institutional change in Ireland. This analysis is taken up again in Chapter 7 which examines the mechanisms explaining the differing degrees of institutional change found in Ireland and Sardinia.

Regionalism and Localism: Competing Paradigms?

As an attempt to redress problems of co-ordination and centralisation and to absorb adaptational pressure arising from Cohesion Policy, eight Regional Authorities[128] were set up and came to life on 1 January 1994 with the primary role of co-ordinating public services regionally and the function of monitoring and advising on the regional implementation of the Structural Funds. Previous (sometimes seven or nine) *ad hoc* regional development organisations were disembodied in the 1980s and the first CSF had made recourse to 'sub-regional review committees'. Although in theory the new Regional Authorities were to act as "a framework to optimise national development in the years ahead [and to represent] an important progression in the democratic life of the nation" (Environment, Press Statement 29 December 1993), they were not given a clear or distinct role in practice,[129] and were bereft of executive functions (*vis-à-vis inter alia* the CSF) and legislative powers with which to co-ordinate. Probably as a result, but further compounding the problem, the CSF 1994-99 had no regional dimension and was designed, structured and implemented on a national basis through national programmes.[130] Moreover, the individual Operational Programmes specified little regarding regional aspects and no delivery agency followed the Regional Authority boundaries exactly, since the sub-national dimension of Operational Programme delivery generally relies on the Department which delivers it. In fact, on the heels of the ESRI recommendations, the NDP for the second round of Structural Funds was especially interested in local rather than regional development. This was subsequently articulated in the Operational Programme on Local, Urban and Rural Development, the implementation of which was the responsibility of the Department of the Taoiseach[131]. Apparently,

> "The Government recognises the importance of a local dimension to enterprise and employment creation and the importance of developing the capabilities of local communities to contribute to tackling unemployment and pursuing local development. The experiences already gained from the Pilot

[128] Membership came from and were nominated by the elected ranks of constituent local authorities. To carry out its functions, a Regional Authority is flanked by two Operational Committees. an 'EU Operational Committee' which assists in CSF review functions and a general Operational Committee to support its wider local government functions.

[129] For example, one of the Regional Authorities, the West Regional Authority accumulated a IR£80,000 shortfall after just two meetings and was reported to be "confused about its exact role" (*Irish Times* 22 April 1994).

[130] "The CSF document contains a modest explicit regional dimension, its primary goals, strategy and mechanisms being defined at national level. The CSF does not contain regional objectives, either overall or by region; it contains no quantified regional targets and no projected expenditure by region. [...] There are, therefore, no integrated regional strategies, plans or programmes (i.e. ranging across all the OPs) within the CSF. Instead, the CSF is designed, structured and implemented on a national basis through national programmes –a fact central to any evaluation of the operation and impact of the CSF at regional level within Ireland." (Fitzpatrick Associates 1997:iv)

[131] More specifically, the Junior Minister for Local development and European Affairs at the Taoiseach's department.

> Area Programme in Integrated Rural Development 1988-1990, the current LEADER programme, the area-based initiatives under the Programme for Economic and Social Progress, the Third EC Poverty Programme and the EC Global Grant for Local Development all suggest that considerable potential exists at local level and that, in order to release it, carefully structured interventions are required" (NDP 1993:69).

Thus after a brief flirtation with regionalism in the interlude between the first and the second CSF, localism prevailed in the latter CSF. It prevailed first because the shift from regional to local had previously occurred at European level (see McAleavey & De Rynck 1997) and second, because it bettered suited the Irish system in which the local county level has been more historically preferable to the regional one. Direct influence from the European Commission is evident in a heated polemic over spending on training. The Director General of DG-XVI, Eneko Landaburu, questioned social spending in the Irish NDP during question time in the European Parliament, as apparently, the link between job creation and training was not that clear[132] (*Irish Times* 18 February 1994). This criticism was not appreciated by senior ministers at the time.[133] However, one of the elements of the NDP (the other three became sub-programmes in the Operational Programme for Local Urban and Rural Development) called "expanded Community Employment Development Programme (CEDP) and a countrywide Social Employment Scheme (SES) which will complement the first two measures [CEBs and ABPs] and be particularly relevant to the objectives of the area-based sub-programme" (NDP 1993: 69-70), did not appear in the Operational Programme for Local Urban and Rural Development.[134] Instead a technical assistance sub-programme was introduced. Had the original version been maintained, the rest of the Operational Programme (that is without the CEDP/SES schemes) would have accounted for 2 per cent of Structural Funds spending (all of it was to constitute 7.2 per cent of Structural Funds spending) (CWC 1993:23). In other words, the intervention of the European Commission meant that local development measures went beyond employment schemes and became more important as a proportion of the rest of the CSF. Its spending power benefited from the changes wrought by the Commission in the CSF. The Irish government proposed spending 1.2 per cent (170 MECUS) of Irish Structural expenditure on local development, while the CSF agreed to 2.1 per cent (311 MECUS). When compared to the figures in the 1989-93 CSF - 11 MECUS which equals 0.2 per cent - it appears that there is a notable increase in commitment - spurred on by Brussels (the jump of 141 MECUS) - to local development.

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[132] It was not clear to the Community Workers Cooperative (1993:26) either.

[133] The reason for spending on training could be due to the increased availability of funds that did not have to be matched under the ESF, rather than the sudden realisation that unemployment was due to poor skills in the workforce - this was not the case.

[134] A somewhat different version called, Community Employment was included in the Human Resources Operational Programme.

Another contention came to the fore in relation to inflated figures as the NDP had been submitted before Structural Fund allocation to Ireland was known, and although the Commissioner for Regional Policy (DG-XVI), Millan had promised no more than IR£7.2 billion for the plan, decision-makers drafted the plan on the basis of Structural Funding to the tune of IR£8 billion which was apparently promised in private by Commission President Delors. The outcome was a plan based on IR£8 billion in Structural Funds and matching funds calculated consequently. Once the figure became publicly known, instead of eliminating projects in the plan as originally expected, projects were scaled down across departments.[135] The rest of the money was expected to be made up in the mid-term review (*Irish Times* 4 March 1994). Apparently, Ireland fell "victim to its own success" (*Irish Times* 25 February 1994) as years of maximum draw-downs were halted. Structural Funds have become so politically salient in Ireland that the consequences of the fall-out were to be found in pages and pages of newspaper articles and editorials. Figure 12 compares the NDP with the CSF. The increased importance of local development is obvious. Figure 13 shows the difference in local development spending as laid out in the NDP and the CSF in proportionate terms.

[135] According to the Minister for Finance, "it would be very foolish if we were to knock out projects from the National Plan before we know what programmes the Commission might favour" (*Irish Times* 2 March 1994).

Figure 12: NDP and CSF 1994-99 compared (in MECUS 1994 prices)

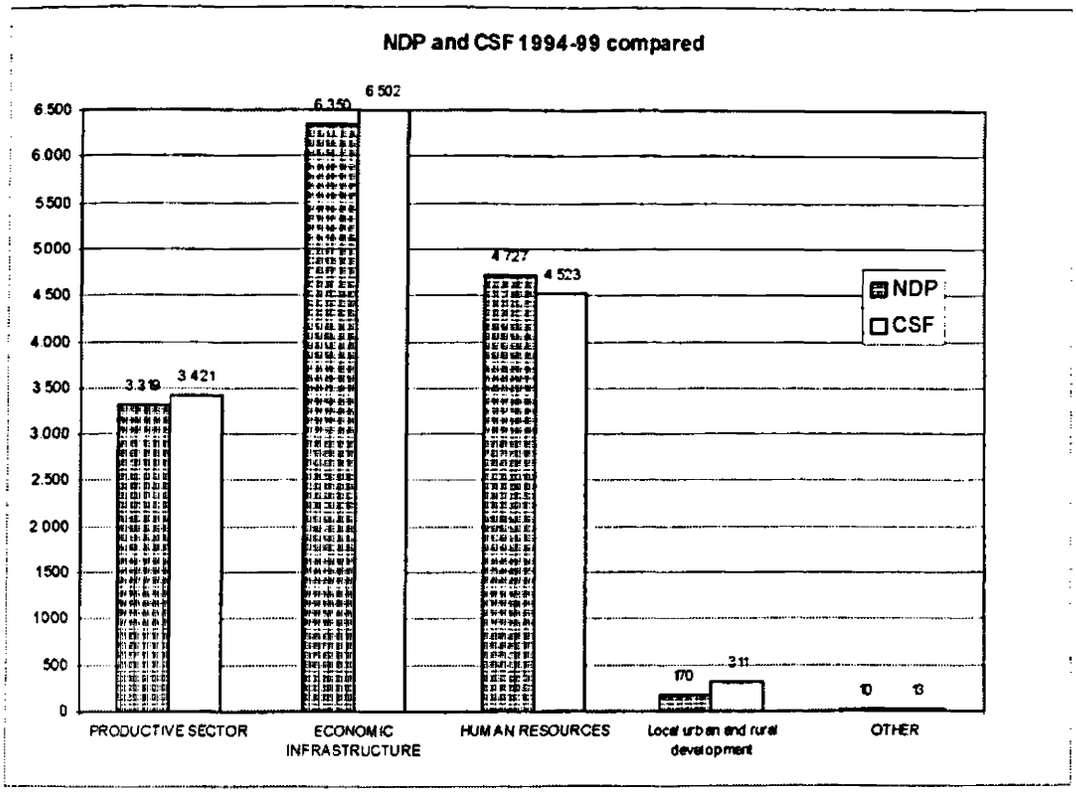
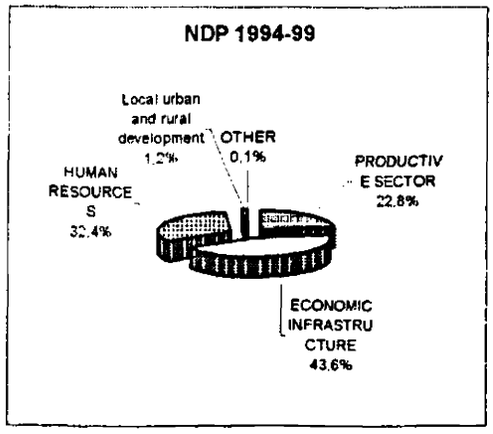
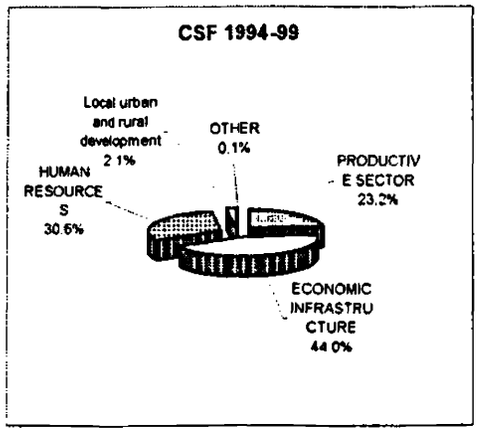


Figure 13: Changes wrought in proportionate terms NDP-CSF 1994-99





	Structural Funds				EU & National public			
	NDP	% total	CSF	% total	NDP	% total	CSF	% total
PRODUCTIVE SECTOR	2.154	38,3%	2.184	38,9%	3.319	22,8%	3.421	23,2%
Industry	817	14,5%	875	15,6%	1.600	11,0%	1.608	10,9%
of which RTD			316	5,6%				
Agriculture, forestry, rural development	944	16,8%	883	15,7%	1.231	8,4%	1.298	8,8%
Fisheries	68	1,2%	72	1,3%	86	0,6%	90	0,6%
Tourism	325	5,8%	354	6,3%	402	2,8%	425	2,9%
ECONOMIC INFRASTRUCTURE	1.193	21,2%	1.113	19,8%	6.350	43,6%	6.502	44,0%
Transport	934	16,6%	888	15,8%	2.173	14,9%	2.305	15,6%
Communications	34	0,6%	38	0,7%	1.174	8,1%	1.181	8,0%
Energy	70	1,2%	70	1,2%	2.698	18,5%	2.707	18,3%
Water/environment	81	1,4%	78	1,4%	176	1,2%	179	1,2%
Health	74	1,3%	39	0,7%	129	0,9%	130	0,9%
HUMAN RESOURCES	2.134	38,0%	2.113	37,6%	4.727	32,4%	4.522	30,6%
Initial education/training/Youthstart	719	12,8%	772	13,7%	1.407	9,7%	1.531	10,4%
Continuing training unemployed	237	4,2%	196	3,5%	428	2,9%	388	2,6%
Continuing training employed	45	0,8%	72	1,3%	81	0,6%	121	0,8%
Social exclusion	540	9,6%	461	8,2%	1.992	13,7%	1.704	11,5%
Supporting measures								0,0%
of which current	51	0,9%	71	1,3%	72	0,5%	95	0,6%
capital	181	3,2%	160	2,8%	266	1,8%	235	1,6%
Sectoral OP (industry etc.)	361	6,4%	381	6,8%	481	3,3%	449	3,0%
Local urban and rural development	132	2,3%	200	3,6%	170	1,2%	311	2,1%
OTHER	7	0,1%	10	0,2%	10	0,1%	13	0,1%
Technical assistance	7	0,1%	10	0,2%	10	0,1%	13	0,1%
Pre-1989 projects/miscellaneous	43	0,8%		0,0%				
TOTAL	5.620	100,0%	5.620	100,0%	14.570	100,0%	14.770	100,0%
Structural Funds								
ERDF	2.552	45,4%	2.562	45,6%	2.552	45,4%	2.562	45,6%
ESF	1.953	34,8%	1.953	34,8%	1.953	34,8%	1.953	34,8%
EAGGF	1.070	19,0%	1.058	18,8%	1.070	19,0%	1.058	18,8%
FIFG	45	0,8%	47	0,8%	45	0,8%	47	0,8%
TOTAL	5.620	100,0%	5.620	100,0%	5.620	100,0%	5.620	100,0%

Source: CSF (1994-99)

The new local development drive found expression in the Operational Programme for Local Urban and Rural Development, which was made up of four sub-programmes (see Table 29).

Table 29: Implementers of the Operational Programme for Local Urban and Rural Development

sub-programme	central responsibility	local responsibility	area size
1: Local enterprise	Enterprise and Employment	County Enterprise Boards	County
2: Integrated Development of Designated Disadvantaged and Other Areas	Taoiseach ADM Ltd.	Area-Based Partnerships	Sub-county
3: Urban and Village Renewal	Environment	Local authorities	Town, village
4: Technical Assistance	Taoiseach	-	

The objectives of the local enterprise sub-programme were for County Enterprise Boards (CEBs) to improve the financing of SMEs, to foster networking and for CEBs to become a one-stop-shop locally for information, advice and guidance to firms. EU aid of €77 million was made available through the mechanism of the CEBs to provide a range of support services for local enterprise initiatives. The main objective of sub-programme 2 was to counter disadvantage through support for communities (support for local enterprise, improving potential of unemployed, advice for career planning, training, countering risk of early-school leaving and under-achievement, enhancing capacity of local communities, improving physical environment). The Sub-Programme on Integrated Development of Designated Disadvantaged and Other Areas, accounted for EU aid of €81 million and provided support primarily to disadvantaged communities. It allocated IR£80 million to 38 partnerships (ABPs) over the 1994-99 period and each partnership received a budget for the whole period of between IR£1 million and IR£4 million (an average of IR£600,000 *per annum*) to cover staff, administration and the revenue costs of selected projects and services. Funding was provided on the basis of a strategic plan formulated in consultation among local residents and groups, and taking into consideration how existing resources could be used to best effect. Due to time constraints, until about 1997, the original 12 PESP partnerships had undertaken almost all activity (OECD 2000). The urban and village renewal sub-programme supported a range of initiatives designed to promote sustainable physical, social and economic revitalisation of urban centres throughout the country. It was allocated €78 million of EU aid. Under this sub-programme funding was provided to finance a range of measures

designed to rejuvenate the social and economic life of towns and villages, rehabilitate the built environment and restore and conserve important elements of Irish architecture and heritage (NDP 2000-2006:283-5). Actions under the technical assistance sub-programme included feasibility studies, programme studies related to performance, information technology, publicity, external evaluation and research unit.

The mid-term evaluation (ESRI 1997) drew positive conclusions and crowned the CSF "a notable success story". It judged that

> "funds have been deployed effectively to support and enhance what has been a remarkable economic recovery. Under the CSF process, medium-term planning of public expenditure has come more to the fore, allowing a more systematic and effective programming in many areas. Capacity and capability has been increased in the productive sectors; there has been a quantum-leap in the provision of public infrastructure; education and training attainment forges ahead; and experimental institutional arrangements have galvanised local initiatives".

So it seems that the CSF was a success in terms of meeting spending targets and coupled with a period of economic growth, rosy economic and social benefits were had. In the end the Local, Urban and Rural Development Operational Programme accounted for €382 million of co-financed public expenditure (€269 million of EU aid) over the programming period (almost 5 per cent of total EU aid) (NDP 2000-2006).

The Chapter now attempts to better grasp these "experimental institutional arrangements" by comparatively examining them in order to ascertain what local actors participate and the extent of local clout. It then explores them *vis-à-vis* policy issues such as integrated development, monitoring and best practice transfer.

Local development bodies

Local development in Ireland is unusual in that it is divorced from local government and is pursued by "experimental institutional arrangements". Furthermore, its impetus is top-down as its path is defined by EU (LEADER) or national guidelines (CEBs and ABPs). As we have already seen, EU guidelines in relation to consultation with sub-national actors (which after the abolition of RDOs in 1987 are difficult to identify), created pressures to devolve power to either local level or regional level for development purposes. These "experimental institutional arrangements" emerged as the Irish response and they are the County Enterprise Boards, Area Based Partnerships and the LEADER groups. Chapter 3 detailed their formal make-up and briefs. This section examines them from a more informal perspective.

Local actors

Who are the local actors involved? Most of the structures are compelled to include local actors, that is, members of the local community. The LEADER guidelines[136] made reference to including leading figures of the local economy and society. However, according to one evaluator, this implies retaining the *status quo* to a certain extent, which runs contrary to encouraging innovation in local development (Kearney *et al.* 1995:99). Furthermore, this may lead to an over-dependence on a single personality.[137] Secondly, leading figures (those who have power and influence) tend to want to maintain the *status quo* and frustrate change: they have a vested interest in maintaining the prevailing power structures within the community which, in a development strategy may need to be altered. Kearney *et al.* (1995:119) in their evaluation encountered LEADER companies that assumed a local top-down structure dominated by a strong personality, which impeded the emergence of a genuine partnership. Where a sense of local ownership was instilled and partnerships were accountable to the local population through public meetings etc., a voluntary contribution on the part of the local population resulted, according to evaluations. However, a quarter of LEADER companies were not community based and generally LEADER companies tended to exclude the unemployed, trade unions and environmental interests (Kearney *et al.* 1995). LEADER companies also tend to perceive the local business community as representative of the local population – which is not always the case. For instance, some board members (local actors) promoted projects of their own or projects of close connections. This evidently leads to conflict of interests (Government of Ireland 1994). It is not enough to allow boards to be determined locally as they may end up reflecting the needs of the local political comity more than operational considerations (OECD 1996:46). The novel actors on the development scene come from the community and voluntary sectors. They were given explicit recognition in the composition of the Boards of the ABPs (six from the community and voluntary sector) and on the board of ADM Ltd. However, initially there were no mechanisms to ensure that they actually represented their constituency. Moreover, they use public funding but are not elected nor mandated by public representatives. The OECD report (1996:36) concluded that "the ABPs naturally become at least a complement to and perhaps a partial substitute for local government; yet they are not obliged to account for themselves to the latter".

[136] European Commission 91C 73/14.

[137] Kearney *et al.* (1995:24) give the example of a clergyman in a small country town who sought to promote development but failed to adequately involve the local community and neglected to establish a successor which meant that the initiative's success was dependent on him.

An enhanced role for 'communities' was developed in the anti-poverty strategy where community involvement was based on notions of empowerment and social inclusion pioneered by the work of the Combat Poverty Agency since the 1980s in the context of the EU Poverty Programmes (Walsh 1999). Due to the policy vacuum in Ireland *vis-à-vis* Poverty programmes, the CPA was very successful in influencing the policy process. Community involvement covers consultation on needs or participation in decision-making through a board member. Six (minimum out of eighteen) community directors are necessary in the ABPs which are largely responsible for formalising the community and voluntary sector role. However, some obstacles to genuine community participation persisted. First, "the management ethos drawn from the worlds of business and public administration" which is "particularly unsuited to the experience of community activists and may in part explain the high turnover in community representatives as they struggle to come to grips with an alien management format" (Walsh 1999). Second, initially the procedures for selecting representatives were *ad hoc* and informal so much so that some community groups held a monopoly. Now selection takes place in community *fora* containing geographical and sectoral groups and also ensuring feedback. Community involvement locally has resulted in the involvement of the community sector nationally – through the National Economic and Social Forum[138] – and inclusion as a social partner in national social partnership agreements.

Local clout

Do local development structures have discretion or clout? LEADER groups appear to have significant 'power of the purse' but they are compelled to spend within increasingly restrictive guidelines, characterised by increasingly bureaucratic procedures. Furthermore, they are required to provide matching private funds and they have to spend funds within a pre-established deadline. Although the IRDPP involved less spending power, local actors could determine developmental priorities and implement them. Guidelines were also less restrictive until it came under the Operational Programme for Rural Development in the first CSF. Thus the more money involved, the less discretion the groups have. EU programmes are generally better funded, therefore they reduce the degree of discretion central government is willing to cede. As Shortall (1994:242) asserts, in both cases projects are locally based but "focused by systematic central guidance". Therefore, the state continues to be the organ through which local and rural development

[138] The National Economic and Social Forum was set up in 1993 by the government to contribute to the formation of a wider national consensus on economic and social policy issues, especially unemployment. It is composed of government and opposition parties, the social partners and, in contrast to the NESC, the unemployed, women, the disadvantaged, environmental interests and the elderly *etc.*

is pursued. Similarly to LEADER, the ABPs were tightly controlled by the NCT and subsequently by ADM Ltd. The availability of funding under the Global Grant meant that they concentrated on spending power rather than establishing a position of strength *vis-à-vis* state agencies. The extent of their discretion is illustrated by their frail position since their continued existence initially depended on the policy leadership of the Taoiseach's department, which in turn depended on the composition of government. For several months they fell under the responsibility of Enterprise and Employment which desired a more enterprise orientated role for the Partnerships. The CEBs too are also highly constrained by Enterprise and Employment and have to conform to a cumbersome bureaucratic process. They are composed of public officials (career civil servants) that have tended to limit their development thrust to grant-giving within established guidelines, thus no real empowerment is involved. Moreover, the expiry date hanging over most of the development structures means that they are constrained by time: the IRDPP ran for two years, paused, and then resumed for almost another two years; LEADER I ran for two years; the ABPs were also piloted for a short period and had to conform to the deadlines imposed by the Global Grant; the CEBs too had to conform to the deadlines of the Operational Programme for Local Urban and Rural Development. These time constraints reduce the level of real empowerment by militating against the development of a long-term strategy. Time constraints are further compounded by dependence on funding from Brussels for survival as all of the structures looked to 1999, but not beyond. This uncertainty considerably reduced clout and discretion.

Empowering local development structures would involve the state (central government) relinquishing some power (zero-sum game) or sharing it with the new structures in a form of partnership (non-zero-sum game). Thus, empowering local actors in local development either means less power for central government (devolution) in this field or shared, concurrent power (partnership). However, devolving responsibility to local actors may entail a 'de-responsibilisation' of the centre without a genuine 'responsibilisation' of local structures. For example, giving ABPs responsibility for combating long-term unemployment - a problem that has dogged successive governments for years - means that failure in terms of jobs not created or an increase in the numbers of long-term unemployed will be attributable to the ABPs and not central government. This is normal if responsibility is matched by clout, that is to say, if the ABPs and other local development structures are given adequate powers to be able to pursue a self-defined strategy, then failure can be attributed to them (hence, the case for real devolution can be rejected out of hand), yet success can be claimed by the centre given that the structures and strategy are its brainchildren. Local development partnerships can be seen as a

strategy of fence-sitting for the centre: it passes the buck where failure is concerned and takes the credit in the case of success.[139] In this scenario, the centre is the dominant partner in the partnership, giving the impression of power-sharing, but in reality gaining maximum benefit in terms of retaining power and shirking responsibility. Is this the case in relation to Irish local development structures? Firstly, the state dominates the partnerships through its executive agencies without letting partnerships influence them unduly. In fact, most of the evaluations demonstrate that local development structures have been unable to influence their strategies and spending. As Commins & Keane (1994: 162) point out, "it is clear from the detailed description of this area-based response that the statutory agencies were to have the main responsibility for the programmes, and not least in deciding controls and expenditure". Yet, wherever possible government statements refer to local communities as the "prime movers" (PESP 1991). The aborted attempt to create the CEPBs as a structure above the ABPs and LEADER is indicative as the CEBs are not representative of the local community. Finally, it is not clear that the responsibility accorded to local development structures in terms of expectations; is matched by clout or discretion which could lead to their discrediting in the long-run.

The legitimacy and accountability of the new local development structures is based on partnership. Partnership attempts to bring sectoral, state and local community interests together to work for the benefit of the community. At central level, partnerships are a means of reaching agreement among the main sectoral interests (employers, farmers and trade unions) to formulate economic and social development proposals along consensual lines (Commins & Keane 1994:162). Generally, partnership proved positive as it brought different sectors together to address local development. It "provides a procedural and institutional framework for turning the interaction of community, market and state in a constructive direction" (NESC 1994:144). The partnership structure of the ABPs was clearly prescribed from the outset (equal representation of the local community, the social partners and the state agencies) as was that of the CEBs. LEADER groups were not required to establish a partnership but most of them did (between state agencies, the private sector and the social partners). However, in local development partnerships in general, equality of status for partners was not a requirement and partnerships tended to take shape according to the dominant partner. Furthermore, partnership ended up referring to structure and not process, yet "a local partnership *structure*, though necessary, is not sufficient for effective rural or local development" [emphasis in original] (NESC 1994:144). Much of this is attributable to the fact that administering departments

[139]One community group member - Kathleen O'Neill from KLEAR in Kilbarrack felt that the state was attempting to shift the blame for unemployment to the ABPs (*Irish Times* 28 February 1994).

expected partnership to "come naturally". In fact, the LEADER evaluation held that some LEADER groups ended up resembling state agencies rather than embedding state agencies within a partnership. LEADER groups were also criticised for the uneven nature of community representation and the exclusion of the unemployed and environmental interests (Kearney *et al.* 1995). In relation to LEADER therefore, it appears to be only (financially) accountable to Agriculture and ultimately to the EU and not to the local community. Its legitimacy as a bottom-up local initiative is undermined because of this and because of the uneven representation of local communities. In fact, LEADER "partnerships" appear to be dominated by the local business sector as opposed to the local community. Thus, establishing a partnership structure does not guarantee legitimacy or accountability. Their continued existence depends on public support and thus they need to secure legitimacy in the eyes of the local population and not just *vis-à-vis* the main paymasters (national exchequer and the EU). Furthermore, partnerships are intended to enhance the effectiveness of mainstream measures yet some state agencies failed to deliver within these structures (Craig 1994). Thus the degree to which local actors are empowered by operating through partnerships is questionable since state agencies embarked upon new activities - courtesy of supplementary funding from the EU and the national exchequer - rather than subjecting their regular activities to the partnership. It can be concluded therefore that partnerships were empowered only insofar as new funds became available. Regular state agency budgets - the real funds according to Craig (1994) - remained untouched. Moreover, state agency representatives on the partnerships tend to lack strong organisational backing and so "much depends on the personal commitment, capabilities and seniority of the individuals concerned [and while] some people engage actively in the partnership and devote considerable energy to securing departmental support, [...] others are more passive and non-committal" (OECD 2000). Partnership in this context can be defined as a non-zero-sum game for the centre as it gains new decision-making powers in relation to extra funding, yet its regular work remains untouched by the partnerships. For the local community, partnership is also a non-zero-sum game as it too gains in relation to decision-making powers. However, the stability of this situation is insecure as the partnerships depend on financial transfers from Brussels for their existence.

Monitoring and best practice

Learning about best practice as well as training is crucial to embryonic local development structures. The IRDPP made provisions for advising local actors as to innovative development practices and their implementation. It also (initially, before it was subsumed into the Operational Programme for Rural Development) put in motion a

horizontal learning process through networking *etc.* Although LEADER made provision for networking among groups, it gave less consideration to training or guidance. Instead, from an early position of vague guidelines issued by the EU, specific and prohibitive guidelines emerged piecemeal from Agriculture, for which LEADER proved to be a learning experience. This meant that since some groups were constituted precisely for LEADER and had little prior experience of rural development, a huge emphasis on rural tourism and in particular, golf courses and Bed & Breakfast accommodation resulted. Although capacity building and animation were key objectives, no meaning was attributed to these concepts nor were groups advised as to how these could be embarked upon. The administering department's role was limited to a controlling one. Neither did the NCT provide adequate training for the ABPs. ADM Ltd. has an enhanced role in this respect but failed to disseminate good practice in the ABPs to the post PESP partnerships. Furthermore, the fact that some of the ABPs adopted a delivery role, thus duplicating the work of existing agencies, bears evidence to the fact that they were guided very little. The CEBs were provided with very little guidance in relation to promoting an enterprise culture and thus tended to limit themselves to allocating grants. Most of the structures had to develop action plans yet they were not given any training for this which meant that they all employed consultants to draft plans. Some of these plans lost out on area-specificity as some consultants had little knowledge of the area hence this had detrimental effects on the development strategy pursued. Furthermore, the evaluation of the PESP ABPs demonstrated that many activities undertaken by the ABPs were not included in their Area Action Plans (Craig 1994:19). In sum, while local development structures appear to have many mechanisms constraining them, guidance is less evident.

As aforementioned, the IRDPP can in a way be seen as the precursor to LEADER. Hence some continuity could be expected, that is to say, best practice under the IRDPP could have been disseminated widely under LEADER I. However, since the evaluation of the IRDPP was not published, very little information was made available to LEADER companies. Furthermore, IRDPP co-ordinators were not retained for LEADER. This meant that "the whole process of training and familiarisation will have to begin all over again, particularly for those [LEADER] groups which have already been in the IRDPP" (Ó Cearbhaill 1992:130). It also meant that a potentially beneficial learning experience was squandered. The CEBs essentially took over from the CDTs in areas where they existed but no evaluation of the CDTs was undertaken to ensure that the CEBs could learn from them. Similarly, the non-PESP partnerships learned precious little from their forerunners. In sum, although a "pilot" programme denotes an experimental element, the lessons from the experiment are rarely built upon or taken into consideration when

moving beyond the pilot stage. In fact, the pilot schemes are rarely genuinely mainstreamed and one has the impression that these structures remain experiments. Thus where continuity is desirable, it cannot be ensured and where it is undesirable, it is difficult to break from. In order for this to be rectified, monitoring and *ex post* evaluations are crucial.

Sabel (1996:16,91) holds that some of the partnerships have been successful and others have not but because central government does not seem "to be systematically monitoring the results", it is difficult for them to distinguish the two and learn from the exemplary cases. "The (potential) paradox, of course, is that to be an effective national advocate for its ideas, a local partnership must spend much of its time advocating those ideas nationally, not testing them locally". Although *ex post* evaluations are undertaken, ongoing monitoring leaves much to be desired. Both *ex post* evaluations and monitoring are central elements of policy learning but care is needed in undertaking both. The LEADER (Kearney *et al.* 1995) and PESP ABP evaluation (Craig 1994) came up against a lacuna of data - economic, social and demographic - which obviously makes evaluation very difficult indeed. The CSGs have been allocated the task of coming up with data for their constituencies. However, since the ABPs and LEADER groups follow no pre-established boundaries and criss-cross between counties and even regions (as most recently delineated), and do not keep data collection systems (Government of Ireland 1995), producing data would appear to be an impossible task. Furthermore, in relation to LEADER, the evaluation was undertaken when very little in terms of economic/social impact could be measured. Other evaluation problems include measuring the not so easily quantifiable aspects of development such as empowerment and capacity building. Since the LEADER I evaluation felt it necessary "to preserve Group anonymity" (Kearney *et al.* 1995:54) - without mentioning the reason for this necessity - little can be learned from individual groups. The ABP evaluation however, makes reference to specific groups. Most of the evaluations focus on overall impact rather than individual examples. Sabel's OECD (1996) report takes two rural and four urban ABPs (there are respectively four and eight in total) and makes generalisations from them.

Integrated development

Integrated development was reintroduced into the local development policy discourse by the EU with the reform of the Structural Funds in 1988-89. Is Irish local development characterised by an integrated approach? An integrated approach is "a means of linking functional and territorial approaches to rural development" (Commins & Keane 1994:160), thus a development strategy should be multi-sectoral, touching all aspects of a

region/locality - the opposite of the sectoral approaches adopted heretofore - and co-ordinated. An integrated approach is supposed to achieve "synergy between the different measures and ensure the organised convergence of the efforts of different partners with different backgrounds and different responsibilities" (Matthews 1994:22). As Commins & Keane (1994:20) illustrate, "an ideal rural strategy would be one where local level actions and national or inter-regional objectives share a common ground in being integrated and mutually supporting". Furthermore, "if integrated rural development is to have an real meaning it must involve both co-ordinated policy-making and sensitivity to the different circumstances in regions and sub-regions" (Commins & Keane 1994:134). The IRDPP in its original format, that is under the guidance of the Irish government, was multi-sectoral in its approach to rural development and no restriction was imposed in relation to development models, however (and somewhat paradoxically given that the integrated approach of latter years was advanced by the EU in the first place), once it was incorporated into the Operational Programme for Rural Development, it became less area-based and trundled along with sectoral measures, chiefly small enterprise (Shortall 1994:242). It is rather ironic that the first CSF after the reform of the Structural Funds included a programme which had adopted an integrated approach previously, but under the CSF, which was supposed to embody an integrated approach, became a mere *mêlée* of sectoral measures. LEADER in Ireland, and EU-wide, is supposed to adopt an integrated approach to rural development. However, rural tourism now replaces agriculture as the dominant sector. Over-concentration on this sector undermines the multi-sectoral nature of the programme. Moreover, in most of the local rural development structures, the lion's share of funding went to rural tourism. Rural tourism is different from agri-tourism and implies a collective provision of services rather than individual or corporate provision and it is a recognised part of rural development (Commins & Keane 1994:129-130). However, in for example the LEADER programme, of the proportion spent on rural tourism, 33 per cent was on accommodation, especially Bed & Breakfasts. This led to a highly inequitable situation in which Bord Fáilte (the tourist board) specified houses with three bedrooms and a separate dining room which obviously benefited the better-off who have bigger houses (Shortall 1994:251). Furthermore, many of the tourism projects were more suited to the sub-programme for tourism than rural development (Kearney *et. al.* 1995: 61). Finally, the growth that came about as a result of concentration on tourism was that of the consultancy sector ("Ireland's biggest growth industry"[140]) which carried out the required feasibility studies for tourism projects. Moreover, in the LEADER programme "rural development has been equated with rural enterprise" (CWC 1993:45).

[140] Brian Sheerin, Manager of Arigna LEADER in Leitrim (*Irish Times* 8 November 1994).

For example NESF wrote in that regard: "It is understood that the LEADER Programme is under consideration at present as the vehicle for the Partnership approach in rural areas; this is a matter of serious concern to the Forum as the current LEADER Programme is too-narrowly focused on enterprise development and would need to be radically recasted to provide a much broader and a more integrated and multi-dimensional strategy to promote environmentally and socially sustainable local development and capacity building in rural disadvantaged areas" (NESF 1993:20). Similarly, Commins & Keane (1994:171) point to "the narrow connotation of development implicit in the requirement that groups submit 'business plans' in their original submissions to participate in the programme". NESF (1993) and CWC (1993) also criticise the CEBs for being too enterprise oriented to the detriment of community development. Furthermore, Commins & Keane (1994:176) assert that the CEBs are uni-dimensional in their approach. Thus the ABPs have to emphasise development that goes beyond private enterprise while LEADER and the CEBs remain "untrammelled by a social agenda" (interview). Even combined however, the structures do not adopt an integrated approach: the entire symphony of local development structures, ABPs, CEBs, LEADER, *etc.* appears to militate against an integrated approach to rural development by virtue of their number, separate operation and duplication (Shortall 1994:249). Neither are the divisions among various government departments in the sphere of local development conducive to an integrated approach. Commins and Keane (1994) hold that sectoral programmes predominate because the Irish state only responds to sectoral, functional interests such as the social partners[141]. Thus, Irish local development policy is more sectoral than integrated due to a lack of co-ordination at sub-national and national level, no mainstreaming of policies as well as over-concentration on some aspects of development. The farming community continues to wield disproportionate power which reinforces the prevalence of a sectoral approach (Shortall 1994:255). In fact, rural development still seems to be still equated with agriculture as is evident in the PESP (1991) in which it is found under agriculture and along with disease eradication, horticulture *etc.*[142] In its successor, the PCW (1994), it is found above animal health.

The extent to which local development structures take account of different stages of development is also questionable. A uniform approach is adopted for all areas. Yet, the IRDPP evaluation and that of LEADER "noted that the prior stage or starting base of local mobilisation was an important variable in explaining the greater degrees of progress

[141] This is also the reason for the absence of an area-based approach up to now. NESC (1994:123) however, disagrees with this view and suggests instead that the clientelistic nature of Irish politics has ensured a geographical distribution of resources.
[142] This point is highlighted by Commins and Keane (1994:117).

in the more successful areas" (Commins & Keane 1994:171). This means that differential development approaches are necessary. A pre-development stage would require much training, animation of local groups and capacity building. In sum, it requires building/helping to build social capital and capacity for development. Many central policies have destroyed social capital in rural areas, for example the CAP.

Grouping rural and urban development together gives rise to a policy which has to be general enough to address both, thus risking meeting the needs of neither: "although the local development sub-programme has the potential to be multi-dimensional in character, its focus on areas with high concentrations of unemployment and environmental deprivation carries a bias in favour of urban centres" (Commins & Keane 1994:118). Urban centres have different developmental problems such as unemployment, while rural areas are characterised by under-employment and depopulation. This consideration is not really built into these policies.

Integrated local development is not a new concept in Ireland. Chiefly due to European programmes it has been implemented on the ground. The above section has examined the Irish model of local development. What emerges is a wide participatory partnership approach encompassing the community and voluntary sector, state agencies and social partners. The involvement of the community and voluntary sector and *fora* has animated and activated local actors to participate in development and demonstrated the resources present locally that went untapped heretofore. Moreover, as a result these resources have been galvanised in national policy-making. A more area-based local-specific approach to policy has developed and the agenda of local development has been broadened to include a wide range of economic and social concerns. However, partnerships have little political clout because of their estrangement from local government and their direct control over only limited resources. The lack of mechanisms to mainstream them further compounds this scenario. Specific institutional issues are the focus of the next part of the chapter.

Institutional issues

Central configuration

Taken together, the new local development structures seem to demonstrate a large political commitment on the part of the Irish government to local, urban and rural development. As aforementioned, this apparent commitment was consolidated in the Operational Programme for Local Urban and Rural Development. The table below

illustrates central government's apparent penchant for local and rural development.[143]

Table 30: Central institutional configuration for local development until 1997

Section/Unit	Department	Responsibility
Rural Development	Agriculture	LEADER
Rural Renewal And The West	Taoiseach	development of the western region development of the islands
Local Development And European Affairs[144]	Taoiseach	overall responsibility for the Operational Programme for Local Urban and Rural Development ADM Ltd

It is difficult to identify logic to explain why there are three junior ministries, two of which are in the Taoiseach's department, that are concerned with rural and local development[145]. In fact, as is evident from the table, the division of labour among government departments seems to be fairly arbitrary and operates according to a logic of inter-ministerial competition and rivalry (interviews). For example, one civil servant questioned the wisdom of according responsibility for LEADER to Agriculture as its expertise is in agriculture and not necessarily rural development (interview). NESC (1994) poses the same question. Similarly, Ó Cearbhaill (1992:28) writes about the "unisectoral tradition and structure of the Department of Agriculture and Food where Rural Development has been seen as a mere subset and given a low priority" and expresses some unease in relation to it becoming LEADER's administering body. In fact, the evaluation demonstrated that it was ill-equipped for LEADER I. What this configuration means in practice, is that other rural development initiatives operate in isolation from LEADER and co-ordination among them is difficult. The Minister for Rural Renewal and The West is a relatively new arrival on the rural development scene and is a response to a report published by bishops in the western region which emphasised the need for *inter alia* a Minister for the West to offset imminent disaster due to depopulation and decline in the west. There however, appears to be little justification for having a Minister for Rural *Development* and Rural *Renewal*, unless these two phenomena are considered distinct. They are not considered distinct but rather

[143] The Minister of Local Development and European Affairs illustrated his intentions in this regard: "It is my stated objective over time to make Local Development as well known to job creation and tackling disadvantage as the Credit Union is to providing finances - in other words it will have a specific niche". Presented to a conference on *Community Business in Ireland - The Role of Local Development* May 1996 Davenport Hotel. The same minister asserted that the first step in rural development was to lower the price of funerals.

[144] This section subsequently became the European and International Affairs section when local development passed to the Department of Tourism, Sport and Recreation in 1997.

[145] However, Ministers of State (Junior Ministers) with cross-Departmental briefs constitute a method of co-ordination (Task Force on the Integration of Local Government and Local Development Systems, August 1998:31).

some justification was needed for nominating a territorial based junior Minister for the West in a sectoral institutional configuration. Another interesting feature is the absence of the only territorial ministry – Environment – from the local development model which mirrors the exclusion locally of local government. Sabel reckons that political commitment to local development has been reinforced by the appointment of a Minister for Local Development who also has responsibility for European Affairs thus ensuring that "Ireland's European policy is informed by the lessons of the local development approach at home" (OECD 1996:49). A less sanguine view of this would be that local development initiatives are essentially born of European financial coaxing, thus the two are inextricably linked. In fact, the local development structures that implement the Operational Programme for Local Urban and Rural Development were not guaranteed survival after 1999 when the current round of Structural Funds ran out - further evidence of the link between "European Affairs" and Local Development.[146] So it seems that local development is dependent on the whims of EU Structural Funds, has little central institutional rationality let alone stability, and constitutes a crowded and muddled policy arena. According to NESC (1994:148), overlap and confusion characterise the rural development policy arena and "co-ordination is required not only at local level, but also across departments and between functional agencies at national level". The Inter-departmental Policy Committee on Local Development (IPCLD) was set up in 1994 to address problems of co-ordination and is chaired by the Taoiseach's department. Its remit covers co-ordination, the proper management of local development schemes and monitoring the operation of local development policies and structures (Government of Ireland 1995:24). More recently a Policy Review Committee (PRC) was set up to deal with co-ordination among government departments in the sphere of rural development as laid out in the White Paper on Rural Development, *Ensuring the Future* (1998). Its task is to produce a broad policy statement or a "vision". Within this framework, government departments are required to detail their activities in rural development. According to one member of the PRC, they are discovering that nothing can be done that is not being done already but problems arise because most departments are oblivious to the initiatives taken by other departments (interview). A "rural proofing" of policies is to be introduced to take account of the implications and effects of all policies for rural areas (interviews).

[146] All of the local development structures were unsure as to their future post-1999. The increase in Ireland's GDP meant that it no longer qualified as Objective One which sent decision-makers into a flurry of consternation and considerable secrecy surrounded the strategy to be adopted in this regard. Five possible scenarios emerged: loss of Objective One status with a "re-designation" such as transition Objective One; attempts to redefine thresholds with reduced funds; the entire country except the five counties around Dublin city classified as an Objective One region; Objective status to be decided on an issue-by-issue basis; the sub-division of the country into a number of large regions (the preferred option of the EU) (Western Development Partnership Board 1996).

Although the Operational Programme for Local Urban and Rural Development goes some way in bringing the local development structures together under one programme, co-ordination with LEADER is still left up to the individual companies at a local level.

Subsequent to a government change in June 1997, some central institutional rationalisation occurred mainly around the Taoiseach's office. First, the erstwhile Department of Tourism and Trade was renamed Tourism, Sport and Recreation and took over *inter alia* local development and the co-ordination of the Operational Programme for Local Urban and Rural Development from the Taoiseach's office. In this department, a Local Development Unit was activated to co-ordinate departmental input into *inter alia* Partnership 2000, NESF, and the National monitoring committee on the Social Economy. It also provides the secretariat to the Interdepartmental Policy Committee on Local Development[147]. A Policy Development and Evaluation Unit was established to contribute to the formulation of Operational Programmes of interest to the Department, and to the implementation of the Report of the Task Force on the Integration of the Local Government and Local Development systems[148]. Finally a Local development – EU Co-funding Unit monitors and drives as the lead department, the implementation of three Operational Programmes, Tourism, Local Urban and Rural Development and Urban[149]. Even though excluded from the Department's name, local development has certainly become more a stable section of its own rather than an ephemeral adjunct to be switched around at will.

The second rationalisation measure was the delegation of the Devolution Commission to the newly named Department of the Environment and Local Government (hitherto the Department of the Environment). Third, western development was transferred to the erstwhile Department of Agriculture, Forestry and Food, which as provided for in the White Paper on Rural Development, *Ensuring the Future* (1998) was subsequently (in 2000) renamed Agriculture, Food and Rural Development "in order to reflect its position as the lead department for rural policy matters" (IPA 2001).

[147] http://www.gov.ie/tourism-sport/whatwedo/localdev/wwd_ld_localdevunit.htm
[148] http://www.gov.ie/tourism-sport/whatwedo/localdev/wwd_ld_poldev.htm
[149] http://www.gov.ie/tourism-sport/whatwedo/localdev/wwd_ld_euco.htm

Table 31: Central institutional configuration for local development after 1997

Section/Unit	Department	Responsibility
Rural Development	Agriculture, Food and Rural Development	LEADER Western Development
Local Government	Environment and Local Government	Devolution Commission
Local Development	Tourism, Sport and Recreation	overall responsibility for the Operational Programme for Local Urban and Rural Development ADM Ltd Local Development Task force Interdepartmental Policy Committee on local development

Regional and local solutions

The simultaneous emergence of a plethora of new structures make duplication and lack of co-ordination rife. As already mentioned the Regional Authorities were originally supposed to undertake to co-ordinate development at a regional level. However, this scenario did not materialise. Instead the Operational Programme for Local Urban and Rural Development (Operational Programme for Local Urban and Rural Development 1995:109) opted for county level co-ordination and called for the "differentiation of target groups" among local development structures. However, Rourke (1994) illustrates the problems associated with the different objectives of ADM Ltd. and LEADER: ADM Ltd. has a broad socio-economic definition of development, whereas LEADER companies focus on economic development. "Therefore, some local development groups, located in LEADER areas, with a strong social/community focus might not be considered eligible for funding from either LEADER (because their priority is socio-economic rather than merely enterprise-economic) or ADM (because they are located in a LEADER area)" (quoted in NESC 1994:95).

The Regional Authorities that were set up to review the implementation of the CSF, hampered by a lack of power, identity, continuity of members, unwieldy structures, were so unsuccessful that the mid-term review (Fitzpatrick Associates 1997:107) concluded that the regional review process "is not working well". There was doubt as to what 'review' actually meant in practice and in some cases it became 'retrospective consultation'. A dearth of data and resources to measure impacts combined with a lacuna of guidelines to blunt the review process.

In November 1998 a government decision on 'regionalisation' was announced and in July 1999 two new group regional authorities[150] were put in place on foot of the application made to EUROSTAT to divide the country into two regions. They are based on the existing regional authority structure, one covering the current regional authority areas of the Border, Midlands and West (to include counties Clare and Kerry) called Border, Midlands and Western Group Regional Authority, and the other covering the regional authority areas of Dublin, the Mid-East, the Mid-West (excluding Clare), South-West (which with the exclusion of Kerry will be known as the Cork Region) and the South-East called Southern and Eastern Group Regional Authority. Their responsibilities relate to promoting co-ordination of the provision of public services, advising the Government on the regional dimension of the National Development Plan, monitoring the general impact of all EU programmes of assistance under the Community Support Framework in their areas, and managing regional programmes in the next CSF. So for the very first time two regional operational programmes were provided for in the NDP and regional authorities are charged with their management. Membership of the new group regional authorities is drawn from elected representatives from the eight existing regional authorities which remain in existence and will retain their existing functions at sub- regional or NUTS III level. The National Development Plan[151] was submitted to the European Commission in November 1999 with two regional operational programmes. For the first time, as the OECD report (2000) asserted, "it is rather surprising that the National Development Plan does not acknowledge an explicit role for local partnerships, especially bearing in mind their prominence in the previous plan". The role of co-ordination of services is to be played by the County Development Boards. The new national agreement (*Programme for Prosperity and Fairness*) and rural white paper all refer to CDBs and regions.

Subsequent to the 1994 change of government, a Devolution Commission was established to advise on the implementation of the decision to make local government the focus for working through local partnerships. The model broached was an integrated framework made up of regional authorities, local government and partnerships that would simplify the existing plethora and entail the operation of all bodies on the basis of an integrated

[150] The group regional authorities were established by order made by the Minister for the Environment and Local Government under the Local Government Act 1991.

[151] Apart from the two regional operational programmes, there are also three other operational programmes dealing with economic and social infrastructure, employment and human resources development and the productive sector. The NDP proposes an investment of public and private funds of almost IR£41 billion (1999 prices), the bulk of which will come from the Irish exchequer. The EU Structural Funds will contribute just over IR£3 billion. The objectives of the NDP are continuing sustainable national economic and employment growth, consolidating and improving Ireland's international competitiveness, fostering balanced regional development and promoting social inclusion

multi-purpose development plan coinciding with EU and national programmes. Local partnerships would be obliged to include elected councillors in their boards, and *vice versa* local government would include representatives of local partnership bodies in their operational committees (Walsh 1999:14). Almost simultaneously, the Department of the Environment published a White Paper entitled, *Better Local Government, A Programme for Change* (1996) containing its proposals to integrate local partnership and local government more formally. Due to another government change and considerable opposition, only one element of the proposed reform was retained, Strategic Policy Committees, and a Task Force was set up to examine how local government and local development could be integrated. The White Paper on Rural Development, *Ensuring the Future* (Department of Agriculture and Food 1998:29) emphasised balanced regional development and once again voices the commitment to harmonising the boundaries of state sponsored bodies and agencies. Co-ordination is to be undertaken by Regional Authorities which act as a consultative forum to Regional Assemblies. But state agencies continue to draft their own regional development plans that "will be integrated with the plans and strategies drawn up by the Regional Assembly, the Regional Authority and the County Development Boards to encourage and facilitate economic and social development".

Thus, much experimentation with myriad structures and change gave rise to disorder, uncertainty and creativity. For learning to occur, creativity is important (Ferrera & Gualmini 1999:122). That some sort of rationalisation was necessary was widely accepted but what to do was not so clear or so backed by consensus. Preferences were for local government to be drawn into the local development process without dissipating the latter's drive, innovation and dynamism. Moreover, a rationalisation of structures at regional level was deemed necessary. Thus, the experimental period was prolonged while some investigation and research into what to do was undertaken.

Local government and development

According to Sabel's OECD report (1996:47), "the CEBs are an attempt to attach the motor power of co-ordinated local initiatives to the machinery of both local government and national administration, while meshing each of the latter more tightly to the former". However, the CEBs are just one part of the local development process, the enterprise orientated part. Their role as we saw above is two-fold (grant-giving and promoting an enterprise culture) and problematic and is certainly not co-ordinated. The extent to which they can be defined as a local initiative given that they were set up by central

government, or can be said to work well with other structures is also questionable.[152] Furthermore, the CEBs lacked any significant funding until the Operational Programme for Local Urban and Rural Development was introduced. Irrespective of their merit, they are the only local development structure that has real or required links with elected representatives.

The OECD (1996:50) report illustrated that the Operational Programme for Local Urban and Rural Development "has heightened perplexity. In placing local development partnerships at the centre of a broad EU-funded strategy, the Operational Programme has drawn attention to the exclusion or limited involvement of local authorities in programmes that once seemed a hodgepodge of temporary measures". Whether to marry local government and local development however, has been a moot point among analysts. While FitzGerald and Keegan in their evaluation of the first CSF (ESRI 1993:63) recommended using the Local Authority structure for the Operational Programme for Local Urban and Rural Development,[153] and Kearney *et al.* (1995:106) found in their evaluation of LEADER I that exclusion of Local Authorities "contributed to misunderstandings and reduced the overall effectiveness" of groups, Sabel (OECD 1996:96) held that

> "efforts to normalise the partnerships by subordinating them to the national agencies or incorporating them in local or county governments risks debilitating the former without strengthening the latter. The agencies of the national government are too fragmented and centralised to provide effective local co-ordination of current programmes, let alone to devise new ones. Local government is too limited in its scope, constrained in its capacities, and characterised by traditional approaches to oversee within its jurisdiction the effective redeployment of resources provided by the centre".[154]

NESC (1994:134) shared this view, asserting that "the existing structures, procedures and role of Irish local government are such that its involvement is unlikely to enhance current initiatives for rural and local development [..] even reformed local government structures are unlikely, in combination with central government, to constitute an adequate institutional arrangement for the design and conduct of rural and local development policy". Thus the structural weaknesses of local government combined with the fact that local government is not considered important by the Irish electorate (witness low electoral turnout at local elections and the lack of protest when rates were removed in

[152] In one locality studied, the CEB consistently clashes with non state-sponsored local initiatives as well as LEADER and the ABP.
[153] In their report on the Structural Funds, FitzGerald and Keegan focus on avoiding corruption so they emphasise officials over *ad hoc* community groups (NESC 1994:133).
[154] That its scope is limited is questionable, as its competencies have increased. It has had responsibility for development since 1963 and has been charged with helping community groups since 1941. Its capacity is without a doubt however, limited.

1977[155]), make local government unsuitable to undertake development policy. The Devolution Commission (1996:18) recommended an "integrated local government/local development system" with effect from 1 January 2000. However NESC (1994:137) asserted that "reliance on local and central government as the chief structure through which rural development policy would be pursued confronts, first, some general limitations of representative democracy and, second, some particular limitations of the state as the main organ through which to pursue rural and local development". Notwithstanding O'Sullivan's (1994) rather drastic assumption that concerns about empowerment and community, local or regional democracy and good governance are out of step with trends of local neo-corporatist regulation, issues relating to legitimacy and devolved authority and responsibility inevitably came to the fore as "the exclusion of local government representatives from the partnerships is a bizarre feature in the political-administrative structure of a republican democratic country" (Pflaumer 1996:107). Calls for devolution have been made for several years from within the country and outside. Nonetheless as the Barrington report concluded (1991:58),

> "the case for devolution of functions from the centre, to a new reorganised and revitalised local government system is ultimately a political one depending largely on assumptions about the sort of society we want in the 21st century, the proper balance between the centre and the local level, the desirability of giving local communities greater control over their lives etc."

The creation of Regional Authorities as well as the harmonisation of the regional boundaries used by functional agencies in 1994 seemed to be a first step, at least judging from the intentions of press statements at the time. Other measures followed. First, the Local Government Act 1994 commissioned an independent statutory body to carry out a review of sub-county government (Reorganisation Commission, April 1996). Second, in July 1995 the Devolution Commission was set up to make recommendations in relation to devolving "significant additional functions" to local government, involving Local Authorities "with policy and administration regarding functions which are not directly devolved to them", "Local Authorities become the focus for working through local partnerships involving local community-based groupings, voluntary bodies, the private sector and public agencies" as well as the co-ordination of the efforts of Local Authorities, CEBs, LEADER, and ADM Ltd. partnerships (Devolution Commission 1996:13). The latter Commission began working and submitted an interim report before the other had completed so they operated in isolation. However, when the interim report was published, the government was reported to have been "very disappointed" as the Devolution Commission "adopted a root-and-branch approach to local democracy" which

[155] See Coyle & Sinnott's (1993:92) survey which places local elected representatives in twelfth place (after the catholic clergy, the press and agricultural organisations) out of fifteen in terms of power wielded in a region.

was certainly not the intention (*Irish Times* 19 August 1996). The difficulty with the report was that the decentralisation[156] of public services pursued since 1987 was threatened. Therefore, a conflict emerged between decentralisation (the physical moving of offices to provincial towns) and devolution (which refers to power and discretion).[157]

Local government reform

In parallel to the operation of local development structures, and as we have seen, much debate about relations with local government, local government was at the receiving end of some changes aimed at capacity building and enhancing efficiency as well as eliminating unnecessary central control over spending and staff resources. First in December 1996 a White Paper entitled, *Better Local Government: A Programme for Change*, set out a programme to make optimum use of resources through increased emphasis on corporate planning. Second the 1997 *Local Government (Financial Provisions) Act* widened the role of local government auditors to examine economy and efficiency in the use of resources as well as the adequacy of management systems in place in local authorities. It also provided for the development of the policy-making role of local councillors through Strategic Policy Committees[158] which prepare the groundwork for policies to be decided on by county/city councils and for their role in CDBs. Third, the *Local Government Act 1998* introduced a new funding system with effect from 1 January 1999 entitled *A New Deal for Local Government*, involving the setting up of an independent *Local Government Fund* amounting to approximately IR£590 million in 1999,[159] giving local government an extra IR£125 million for "discretionary day-to-day expenditure" (website). Fourth, the Constitution was amended and a new Article 28A gave specific recognition to local government and a fixed five-year cycle for local elections, thus giving a firmer institutional footing to local authorities. Fifth, the *Local Government Act 2001* provided a modern statutory framework for the local government system, introducing a common legislative code to apply to all local authorities containing a general statement of functions and a membership code. It provided for the presence of the office of Cathaoirleach (Chairperson) or Mayor in all local authorities. From 2004 the dual (national-local) mandate will no longer be permitted and the direct election of

[156] The department of the Taoiseach sent the Commission back to the drawing board requesting that it take "due account of the need not to unnecessarily disrupt existing arrangements for decentralisation of functions of government to provincial towns" (*Irish Times* 19 August 1996).

[157] It was also asked to distinguish between functions, involving no local discretion and powers, which do (*Irish Times* 19 August 1996).

[158] A minimum of one third of each SPC membership comes form sectoral representatives in order to bring in wider local participation. This was the only recommendation of the Department of the Environment's White Paper maintained after the government change.

[159] This was financed from the proceeds of motor tax (previously used for other purposes than roads) and from a government lump sum of IR£270 million in 1999 to be increased annually to take account of inflation and the changes in functions of local authorities.

Council Cathaoirleach for a five-year term will take place. Although the White Paper which essentially forwarded the *de facto* integration of local government and local development bodies was essentially disregarded after the change in government, the SPCs were retained.

These five measures to reform local government all build upon each other. The role of elected members is enhanced while at the same time, there are several attempts to enhance their policy competence, clout and capacity as well as their institutional standing, most notably through SPCs which were accorded statutory status in the 2001 Act. Moreover, there is a deliberate intention in the 2001 Act to "support community involvement with local authorities in a more participative local democracy" and to consolidate local government legislation emanated haphazardly since the 19th century. In fact it aims to enhance the role of the elected member; support community involvement with local authorities in a more participative local democracy; modernise local government legislation, and provide the framework for new financial management systems and other procedures to promote efficiency and effectiveness.

Local co-ordination

Problems of co-ordination prompted the provision for the establishment of the County Strategy Groups (CSGs) - one in each county with two and four groups in Cork and Dublin respectively – in the Operational Programme for Local Urban and Rural Development. CSGs were comprised of members (usually the chairperson) of the ABPs or post-PESP groups, CEBs, LEADER companies, County Tourism Committees and the County Manager as well as a member of the NCT who acts as a liaison between the Taoiseach's department and groups. Their role is to ensure that the objectives and strategies of the local development structures are co-ordinated, complementary and effective in order to engender effective social and economic development at local level. They are non-executive structures and are mainly concerned with co-operation and the exchange of information (Operational Programme for Local Urban and Rural Development 1995:108). The CSGs met for the first time in 1995 to prepare co-ordination strategies aimed at avoiding duplication and competition among local development groups. Because of questions raised in relation to accountability, the government sought to superimpose elected local government representatives on the CSG membership as set out in the Operational Programme (OECD 1996:49). The need to avoid adding a "bureaucratic layer" to the local development process was recognised, according to the Devolution Commission (1996). However the problem of the separation of local development from local government persisted. The CSGs remained intact until the

change of government in 1997. The new government's action programme was committed to "the restoration of real decision-making and power to local authorities and local people" and hence the Strategic Policy Committees and Corporate Policy Groups were set up within each City and County authority (Department of the Environment and Local Government, August 1999). The role of the Strategic Policy Committees[160] (SPCs) and the Corporate Policy Group[161] (CPG) is to formulate policy proposals, evaluate and report on policy implementation, for consideration and final decision by the full Council. They must not be concerned with individual representational or operational issues. The SPC system essentially presents Councillors with a prime opportunity to become more involved in policy formulation. It provides a chance to review and optimise committee structures and related procedures, which demands a rationalisation of existing committees and standing procedures. Each authority will have generally four SPCs, with the option of more in the very largest authorities. Area committees can complement the SPC system. Local operational matters should be assigned to the area committees, as the SPC system will not deal with local representational issues and operational issues (Department of the Environment and Local Government, August 1999).

Not content with the CSGs however, the County/city Development boards (CDBs) were launched by the new government to take over from them, on the recommendation of the Task Force on the Integration of Local Government and Local Development Systems[162] (Interdepartmental Task Force on the Integration of Local Government and Local Development Systems 1998). They are representative of local government, local development bodies (ABPs, LEADER groups and CEBs), and state agencies and social partners operating locally. They have been charged with drawing up a County/City Strategy for Economic, Social and Cultural Development by January 2002 after wide consultation[163] undertaken by the Director of Community and Enterprise[164] and

[160] SPCs are chaired by one of the Council members and have a minimum total membership of nine. A minimum of one third of the members of each SPC is drawn from relevant sectoral interests: to provide relevant expertise and advice and allow for a range of inputs in the formulation of policy. Relevant organisations for each sector are identified as early as possible, parallel with the drafting of the scheme. Each sector selects its own nominee(s) (Department of the Environment and Local Government, August 1999).

[161] CPGs comprise the Cathaoirleach of the local authority and the SPC chairs and is chaired by the former and supported by the Manager.

[162] The Task Force was chaired by the Minister for the Environment and Local Government and included representatives from Agriculture and Food; Arts, Heritage, Gaeltacht and the islands; Enterprise, Trade and Employment; Environment and Local Government; Finance; Health and Children; Justice, Equality and Law Reform; Marine and Natural Resources; Social, Community and Family Affairs; Taoiseach; and Tourism, Sport and Recreation. It met five times and built on the work of the Interdepartmental Policy Committee on Local Development.

[163] Consultation is to take place through new voluntary and community *fora* and area committees.

subsequently overseeing its implementation. This "will be the template guiding all public services and local development activities locally". The Strategy will have a 'ten-year vision' broken into 3 to5 year targets. They will be responsible for avoiding duplication in local service delivery and for filling gaps in satisfying community needs. Emphasis is laid on counteracting social exclusion and a clear focus on economic and cultural development. Support structures will be put in place to facilitate input into the work of the Board by sectoral and community interests.

The Task Force on the Integration of Local Government and Local Development systems (1998:35) asserted that although the new model should enable local agencies to contract services for national bodies and EU programmes, "EU requirements should not drive the search for a better model of local governance". It proposed the use of the county area as the basis of an integrated local framework and advocated the adoption of common areas for all Departments and policies in order to facilitate co-ordination (1998:39). It realised that there could be no more avoiding of some "rearranging of functions and/or institutions [...] with scope for a more developed role for local government in any new system" (1998:40). It recommended a series of steps to be taken during the transitional period when the CSGs would become CDBs. First, a Director of Community and Enterprise to be recruited from January 1999 in each council to strengthen CSGs, promote closer working relations within CSGs, make a report to the CSGs at the end of 1999 after extensive consultation for the establishment of a CDB, reinforce local authority community development activity and keep inter-departmental implementation group informed on progress made.[165] CSGs were mandated to prepare the ground for the new structures to be put in place from 1 January 2000. Second, from January 2000 the CDBs replace the CSGs and begin working on the Strategy for Economic, Social and Cultural Development. Two recommendations were made to be undertaken as soon as possible. First, the Cathaoirleach of each county council should take a seat on the CSG (an additional seat to existing councillor membership). Second, ABPs and LEADER groups should immediately add councillors to their boards and after 1999 all local development groups shall have councillors on their boards. Third, rationalisation of existing local partnerships functions in order to avoid functional and territorial overlaps was proposed. Interestingly, the Task Force also consulted with (some unidentified) EU officials who aired the view that "the EU would in principle be prepared to work with structures

[164] The Director of Community and Enterprise is a senior local authority staff member appointed in 1999 to put CDBs in place and beginning a consultation process. They also lead local authority community development programmes.
[165] A special inter-departmental implementation group was set up to plan for, actively promote and carry forward the programme.

considered best by Ireland for local governance. Indeed, one of the officials felt that as far as the future role of local government was concerned, a much more radical approach could have been taken by the Task Force (1998:48)."

In April 1999 the Task Force published detailed guidelines for the Progress from CSGs to CDBs and advocated the following principles as the basis for the integration of local development and local government: involvement of local communities, social inclusion, participation, feedback, democratic legitimacy, voluntary effort, simplicity, value for money, openness and commitment to change, commitment by central government, process as part of the solution and flexibility.

In the current programming period of the Structural Funds, Ireland has been designated as two NUTS II regions: the Border, Midland and Western (BMW) region (enjoying Objective 1 Status until 2006); and the Southern and Eastern (S&E) region (transitional Objective 1 funding to 2005). Both of these NUTS II regions even made submissions to the European Commission's Cohesion Policy outlook document on the future of the policy. NUTS III regions continue to operate as before.

Conclusion

This chapter has given an account of institutional change conceived as a gradual process of learning through experimentation, emulation and permeability. At a central level, Irish experience with the Structural Funds has led to the wholehearted embracing of Cohesion Policy's approach to evaluation techniques, for example, as prior to the advent of Cohesion Policy, evaluation and monitoring were conspicuous by their absence (Hegarty 2003). Now even where not strictly necessary, that is, in national spending, Irish authorities have made one fifth of total expenditure fall under complex and effective monitoring and evaluation regimes as the NDP and CSF are implemented as integrated programmes. In relation to institutional re-organisation, all policy makers were keen to establish that all local development and government institutional considerations were acceptable to Brussels. Implementing Cohesion Policy led to the generation of a veritable experimental period. A flexible legal framework and the dearth of formal institutions facilitated this widespread experimentation. A certain degree of innovation and creativity can be attributed to the presence of many European policy documents plugging the same kind of change (see Chapter 2) which was emulated to a significant extent. Changes in local government were propitiated by permeability due to its contact with the partnership bodies. How can change be characterised? A hitherto essentially vacant local decision-

making arena is now interspersed with dynamic bodies that are both representative and participatory, locally powered and centrally linked, flexible and workable and that promote the kind of governance advocated by the European Commission in Cohesion Policy. Although the future outlook has yet to form and the period of creativity is on-going, an unprecedented new institutional governance will be at the core of the new local development institutional configuration in Ireland. First, a new degree of decentralisation has been achieved with a revamped local government reaping the benefits of own funding, for example. Second, the role of representative members has been upgraded and they have been given the means to ameliorate their capacity, especially in policy-making through the Strategic Policy Committees. Third, their presence on local partnership bodies means that local government as an institution has gained in capacity, and through their working together with development bodies, they have gained in dynamism and can boast significant 'community' standing through the participatory approach characteristic of local development bodies.

Anchoring the experimental parts of the Operational Programme for Local Urban and Rural Development in mainstream policy through the CDBs, can be seen as a potential third order policy change because it represents an endeavour to create a new participatory, representative institutional level marrying government to development, unprecedented in Irish local development policy. This has been facilitated by the change in the definition of the policy problem, that is, development disparities are now acknowledged to exist *within* Ireland thus warranting systematic policy attention, and are no longer considered to be of lesser importance than Ireland's underdevelopment *vis-à-vis* other EU states. New found wealth and growth have certainly contributed to such an enlightened vision consolidated in the new National Development Plan for the years 2000 to 2006 by a systematic spatial element in all policies. This paradigm shift was facilitated by the accumulation of local institutional anomalies such as the proliferation of local development bodies with no links to local government, that is to say, bereft of legitimation, and a central institutional rationalisation of functions moving authority from the Taoiseach's department to the erstwhile Department of Tourism, now the Department of Tourism, Sport and Recreation with links to the Department of the Environment. The policy debate in the form of White Papers meant that there were considerable ideas to choose from. But the main drive came from Cohesion Policy and Ireland's striving to meet EU requirements in order to ensure maximum funding. Pursuing these goals led to much experimentation from which several policy issues emerged as unintended consequences that had to be taken on board.

Fourth, on a wider institutional scale, the choice of the county level has been consolidated and the spurious search for 'regions' for real policy matters has ended notwithstanding the new 'regional paradigm' invented by Irish decision-makers in order not to lose EU Structural Funding. This must be seen for what it really is – a wily, casuistical expedient that demonstrates Cohesion Policy's capacity to adversely affect institutional matters in Ireland. Nevertheless, this sophistry is unlikely to have repercussions at the local level. Chapter 7 considers explanatory mechanisms at the basis of the differing degrees of institutional change in Ireland and Sardinia.

Chapter 6

Sardinia: Slow to Come to Terms?

Introduction

Elements of misfit between Cohesion Policy and the Sardinian context responsible for significant adaptational pressure were highlighted and classified in Chapter 4. Initially, institutional change in Sardinia can be conceived as a formal process of knee-jerk, reactive legal reform whereby problems were dealt with as they arose in the ambit of existing local institutions. This reactive form of formal institutional change is slow to take effect operationally and did little to alter institutional inflexibility. An overbearing element of misfit is constituted by the extremely legalistic Italian system of 'doing things' and the inability to 'do anything new' in the absence of an enabling law. The path of formal institutional reform is a difficult one to follow because change is painstakingly slow and often goes against the tide of existing institutional vested interests. In any case, in this way it takes a long period of time for reform to pay off and there is little room for creativity and experimentation, as the rules are rigidly laid down on paper and are often difficult to comprehend. In Italy institutions are big, bulky, unwieldy and anachronistically resistant to improvement and thus stifle innovation, crowd out experimentation and render incremental reform arduous. The plethora of formal (often Byzantine) procedures, laws and other legal concoctions regulating all action, scupper initiative and strangle informal activity.

Cohesion Policy served to put the spotlight on these elements, and the Italian south in general became notorious for *mal-implementation*. The fact that Cohesion Policy was only one source of funding – and the most complicated one by far – available to Sardinia initially, meant that the adaptation momentum was slow in gathering pace. Parliament's dissolution of so-called Extraordinary Intervention (*intervento straordinario*) in 1993, a code word denoting forty years of pumping money into the south, secured an increased relevance for Cohesion Policy funding regionally. It also coincided with a particularly negative decade for the Sardinian economy that culminated with a growth rate (GDP) of 0.8% in the last year of the millennium[166], which also marked the fifty year anniversary of

[166] The shadow economy is getting plumper however as the rate of shadow employment has been estimated at 28% compared with a national rate of 22.6% and a rate of 33.9% for the Mezzogiorno

the election of the first regional council, when Sardinia attained its putative autonomy (*autonomia*). Adaptational pressure increased therefore because original misfit still obtained, but also because the Structural Funds became more salient as the only funding source available. The ever-increasing gap between Sardinia and the rest of Italy, and indeed the rest of Europe, has underlined the urgent need to put these funds to good use. Literature on the critical nature of bureaucratic-administrative efficiency for development success abounds, yet in Sardinia, in the words of one local analyst, "development projects are increasingly hamstrung by the delays, inadequacies and modest capacities of regional bureaucracies" (Fadda 2000b).[167]

Thus while Ferrera and Gualmini conclude that "the Italian experience really demonstrates how internationalisation can be a *solution* rather than a *problem* - at least for the institutional capacities of political systems that are half way between backwardness and development" (1999, 155) in relation to macro-economic policy, this sanguine analysis does not hold true for Sardinia. In Sardinia, institutional change has been slow, difficult and unsuccessful. This, therefore, contrasts with Italy in general policy terms as,

> "The most important effect of exogenous shocks and the process of European convergence on the Italian political-institutional system has been encouraging the reinforcement of the state and its institutional capacities: state (and also social) élites have learned that puzzling on collective problems in order to efficiently resolve them is a more important (and certainly a prerequisite) task than competing for the spoils of power for solely partisan aims" (Ferrera & Gualmini 1999: 156).

Thus while state institutional capacities have been enhanced, at regional and local level, institutional change in Sardinia has not been successful to this extent. This chapter explores this institutional change. Suffice it to affirm at this point that change has been unsuccessful because of the degree of its *contingency*. That is to say, changes enacted by the state in Sardinia are contingent on several sub-national and sectoral institutions falling in line. Similarly, changes enacted by the regional government must conform to a state model and are contingent on sub-regional and sectoral institutions falling in line. These institutions do not share the same measure of success or efficiency. It is reasonable to hypothesise that were Sardinia a centralised state and thus able to enact, implement and supervise changes, it would have done so earlier and more successfully. Another significant explanatory factor is the *variable geometry of regional institutional capacity* in Italy. That is to say, some less unwieldy and more successful regions have secured a

(SVIMEZ 1998). Economists agree that a shadow economy has a parasitic effect on the mainstream economy and thus impedes its growth.

[167] Even the Governor of the Central Bank (*Banca d'Italia*), Fazio points to the importance of this factor for development (Fadda 2000b).

wider role and increased competencies for themselves *as well as* the unwieldy and inefficient regions, irrespective of capacity. This chapter first presents central government management of Cohesion Policy and the experimentation characteristic of the *programmazione negoziata* approach. It then examines Cohesion Policy implementation in Sardinia and subsequently its experience with *programmazione negoziata*. Development policy spearheaded by the regional administration is then analysed and the state's new approach to Cohesion Policy in the current CSF is contemplated. Finally, some conclusions are reached.

Preludes to and Conditions for Change: Central government management of Cohesion Policy

Cohesion Policy was somewhat of an itinerant policy area in Italy until 1998 when it became anchored in the newly established Department for Development and Cohesion Policies (*dipartimento per le politiche di sviluppo e coesione* hereinafter DPSC) – in the Treasury Ministry – which was made primarily responsible for regional and territorial policy, planning and EU Structural Funds. Up until then several attempts had been made to co-ordinate development policy such as the Ministry for the Co-ordination of EC policies, which was established as a non-departmental ministry tied to the Prime Minister's office in 1980. It was never in a position to fulfil its role however, due to a severe lack of resources and was unceremoniously abolished by the Dini government in 1995. Next was the Department for the South set up by Law 64 of 1986 to co-ordinate initiatives in the south and generally reform southern policy which had been judged as largely unsuccessful given the amount of funds employed. This reform was abortive because of conflicts over competencies and the technical incapacity of regions in the face of increased responsibilities, particularly in planning (Bull & Baudner 2003). By contrast, what emerged from the implementation of the first round of the Structural Funds (1989-1993), alongside the introduction of the *Documento di Programmazione Economica e Finanziaria*[168] (hereinafter, DPEF) which provided a framework for multi-annual planning, was the importance of the institutional capacities of *some* regional and local authorities as well as related structures to respond to and use aid effectively. Regions clamoured for more clout in dealing with the Structural Funds and the European Commission chose to dialogue with them directly (despite the criticism of the Minister for Community Policies) instead of the *Cassa per il Mezzogiorno*, the demise of which can be attributed to the Commission's tendency to modify or reject its suggestions under the ERDF (Grote 1996: 275). The differential/variable institutional capacity among

[168] Introduced by law 362 of 1988.

Italian regions[169] can explain this apparent contradiction: whereas some regions (generally in the centre north) performed well and implemented Cohesion Policy efficiently, others (generally in the south) did not. In institutional terms however, they have never been treated differently.

The Department of Community Policies was set up in 1987[170] and was further regulated by Law 139 in 1990 which also set up the *Fondo di rotazione*[171] in order to collect and redistribute EC subventions to Italy. It was largely unsuccessful (Bindi 2002). To replace law 64, law 488 of 1992 was passed in order to regulate regional interventions. Unlike its predecessor, it was to apply to the whole country and, while emphasising the central role of local authorities in policy making, it accorded the Treasury with co-ordinating functions for regional development. Cohesion Policy's final placement in the Treasury can be attributed to its rising importance given the imminent austerity promised by efforts to join EMU. The Treasury was given responsibility for southern policy and was merged with the Budget and Economic Planning Ministry. It set up an *Osservatorio* for Structural Fund spending in 1993 which gave way to the *Cabina di Regia* (hereinafter CdR) in 1995 responsible to the Budget Ministry and the Prime Minister's office, and which subsequently worked alongside the Regional CdRs. Also in 1995, the *Servizio per le politiche di coesione* in the Treasury was founded and took on the role of co-ordination and stimulation of regional and social institutional actors thus speeding up the implementation of the 1994-1999 CSF (Graziano 2002). In fact, the year 1995 marked a turnaround for the quality of Cohesion Policy management in Italy as up until then it was largely characterised by disorganisation (Graziano 2000).[172] In 1998 the Dipartimento per le politiche di sviluppo e di coesione (hereinafter, DPSC) was set up and it absorbed several functions of the former Budget Ministry and is responsible for territorial development and Cohesion Policy.[173]

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[169] See especially Putnam (1993) who builds on Banfield (1958). Bagnasco (1977;1985) and Trigilia (1989; 1992; 1995) give a more balanced view of territorial development in Italy generally. For successful regions see Garmise & Grote (1990) and Amin (1994).

[170] Law 183, the so-called 'Fabbri law'.

[171] The Rotation Fund is based in the State Accounting Department of the Ministry of the Treasury managed separately from the national budget system. It manages EU funds and annual co-financing sums provided on the basis of guidance from CIPE. Its main function is to advance co-financing funds to implementing authorities. Its effectiveness has been blunted by mismanagement (see Bonaduce & Magnatti 1996:218).

[172] This was largely due to Law 448 in 1992.

[173] In January 1999 a new development agency called Sviluppo Italia was generated from the merger of 7 agencies that had been working in the south on industrial promotion in an attempt to harness them into the new policy for the south.

Thus, central government was laggard in 'adapting' to EU Cohesion Policy as it took from 1985 until 1998 to formulate an adequate institutional response. Even though formally involved since 1985 with the IMPs, it failed to generate an institutional capacity to 'take' let alone 'shape' Cohesion Policy.[174] Initially this can be attributed to the dichotomy between domestic and foreign affairs, including European affairs which had been exclusively managed by the Ministry of Foreign Affairs until the mid 1990s. Another explanatory factor can be identified in the lack of institutional leadership to carry out co-ordination among ministries. With the establishment of the Ministry for the Co-ordination of EC Policies, an unsuccessful attempt had been made to bolster the Premier's office in matters concerning co-ordination of EU affairs in order to "fully assume responsibilities tied to participation in the European Union".[175] Moreover, this hapless Ministry did little to increase the Premier's co-ordination capacity. In fact, apart from being throttled by meagre resources, it was also undermined domestically by its exclusion from European council meetings. Thus inter-ministerial co-ordination is conspicuous by its absence and any co-ordination is taken care of in the Minister's cabinet. This makes for marked discontinuity as cabinet changes with Minister changes, which in Italy is comparatively frequent. Any attempt of the Premier's office to take a lead in adapting to EU Cohesion Policy has been hampered by political weakness as premiers are never political leaders and therefore cannot even guarantee the loyalty of their own party. Additionally, within the government, the Premier's office is weak given the collective style of Italian governments which sees the premier as *primus inter* rather than *supra pares* (Bindi 2002).[176]

The absence of successful institutional responses cannot only be explained by the dearth of leadership. The lack of salience of Cohesion Policy in the face of more pressing issues also served to hamper effective responses. In fact, southern development policy had momentarily slipped off the political map (Bull & Baudner 2003) in the face of political upheaval and Maastricht requirements. Southern policy, that is, *intervento straordinario* had been dismantled due to *inter alia* the unravelling of the post-war consensus on southern development in 1992.[177] Its demise and overall characterisation as a failure left a policy vacuum in which the only new candidate paradigm was European Cohesion Policy.

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[174] The terminology is from Börzel (2003).
[175] *Decreto legislativo* 303. Law 400 of 1988 also attempted to bolster the Premier's office according it responsibility for co-ordinating European affairs in order to ensure timely responses (see art 5c 3a and Bindi 2002)
[176] The May 2001 elections have seen some change in this regard with the election of Berlusconi, who is the political leader of the *Forza Italia* party to the premier's office. His is a strong premiership style.
[177] Other reasons are the discrediting and subsequent disappearance of political classes that had exploited southern policy to bolster their clientelistic survival as well as the upsurge of the northern Leagues (Graziano 2000; Bull & Baudner 2003).

It thus became a point of reference (Graziano 2000) for Italian decision-makers. Coincidentally, it was also the positive experience of Italy's entry to EMU that filled the leadership lacuna. Fresh from its success in securing Italy's entry to EMU in the face of notable difficulty when it used the EU as a sort of 'external constraint' (*vincolo esterno*),[178] an advocacy coalition/policy entrepreneur (or 'network of expertise')[179] centred around the Treasury (Ciampi, top bureaucrats, social actors with gains to be had from Cohesion Policy), and in particular the DPSC decided to use the Structural Funds in the same manner, that is, to force reform on public administration and improve the quality of public spending (Bull & Baudner 2003). Therefore, not only did Cohesion Policy become a replacement paradigm for southern policy, it was also to be employed as an emissary of institutional reform.

The Structural Funds were harnessed to long-awaited and hitherto unsuccessful institutional reforms as a sort of *vincolo esterno* as central government endeavours to improve Italy's abysmal performance in Cohesion Policy and formulate an effective southern development policy were grouped together in a single solution.[180] As Radaelli (2000:17) outlines "the Mezzogiorno is no longer 'framed' as a problem of economic engineering, but, rather, as a challenge of social engineering (that is, public policy to change the context wherein economic activity and specific policy instruments interact)".[181] This change in frame can be considered a third order change or paradigm shift: Cohesion Policy provided a ready-made model to follow and decision-makers vigorously attempted to do so. The fretful, frenetic period of institutional experimentation that resulted, likened by some to "institutional panic" (Hine 2003) is indicative of these floundering attempts. It is to this experimentation that the chapter now turns.

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[178] See Dyson & Featherstone (1996).
[179] See Radaelli (1998).
[180] Administrative reform had been attempted in the Ciampi government (1993-4) under Sabino Cassese, and was taken up once again by Bassanini in the Amato government (2001) who attempted, *inter alia*, to decentralise public administration by transferring functions from the centre to local and regional authorities (laws 59, 94 and 127 1997). Reforms were vitiated by "overriding legalism, with insufficient attention paid to the problem of changing the culture of Italian administrative practice" (Ginsborg 2001:311), the failure to prioritise and make reform central and the neglect of political federalism.
[181] See also Amato Parliamentary Report, *Premesse per una nuova politica generale a favore del Mezzogiorno.*

Programmazione negoziata:[182] institutional experimentation and panic

Planning in partnership[183] (hereinafter, *programmazione negoziata*) succeeded *contrattazione programmata* (planned bargaining) as a method of development and constitutes an attempt by central government (the Treasury and CIPE) to adapt and come to terms with the 'European way of doing things', that is, involving the regions and social partners. *Contrattazione programmata* was characterised by partnership between, on one hand central government and (mainly big) business, and on the other central government and regions, on specific programmes of intervention. Its objective was to rationalise government interventions through *intese, accordi e contratti*[184] *di programma* (programme agreements, accords and contracts). Programme accords were devised to implement a centrally devised development plan through a state-region agreement. However, due to their complexity they never fulfilled the intention to become the main instrument for general development plans in the south as none were signed between the government and southern regions. An agreement protocol (*protocollo d'intesa*) in March 1993 recognised economic policy partnership along the lines of the EU principle of subsidiarity and gave a new basis to sub-national authorities in economic policy. From this, *programmazione negoziata* was introduced in 1996 by Law 662, and was essentially an attempt by the centre to push through a bottom-up approach and bring together public and private actors at sub-national levels through four main instruments. Public policy was to identify the strategic priorities of local and regional areas, select suitable projects that ensured coherent implementation, made resources available and supplied a time-table illustrating deadlines for attaining objectives. The two central operational instruments of this theoretical notion were to be Institutional Agreements (*intese istituzionali di programma*) which enable regions to access direct public investment for priority projects over a number of years and Framework Programme Agreements (*accordi di programma quadro*) which define the conditions of implementation for this type of project and lay down the roles of the different institutions and private parties involved. Locally, operational instruments included territorial pacts (*patti territoriali*) and area contracts (*contratti d'area*) both of which aimed to promote co-operation among local actors, by defining local priorities, co-ordinating public and

[182] This literally means negotiated programme planning but better translates as planning in partnership.

[183] Law 662 of 23 December 1996 (article 2, comma 203) is the legal basis of the instruments of *programmazione negoziata*.

[184] Programme contracts were between big business and government for productive infrastructural investment. This had a marginal application in Sardinia as there is no real collaboration among business. Now however, they can be used by SMEs. CIPE introduced a new element allocating the possibility of proposing a contract to industrial districts or industrial consortia. However, this too had little impact in Sardinia and the south in general as industrial districts are to be found in the centre and north (Sassu 1997, 10).

private investment and stimulating economic development. Territorial pacts[185] are primarily concerned with business development and infrastructure, and private sector investment must account for 30 per cent. Area contracts are confined to areas undergoing industrial restructuring with rising unemployment and they promote investment using public funding and drafting local level agreements (among all social partners) on exceptional administrative measures.

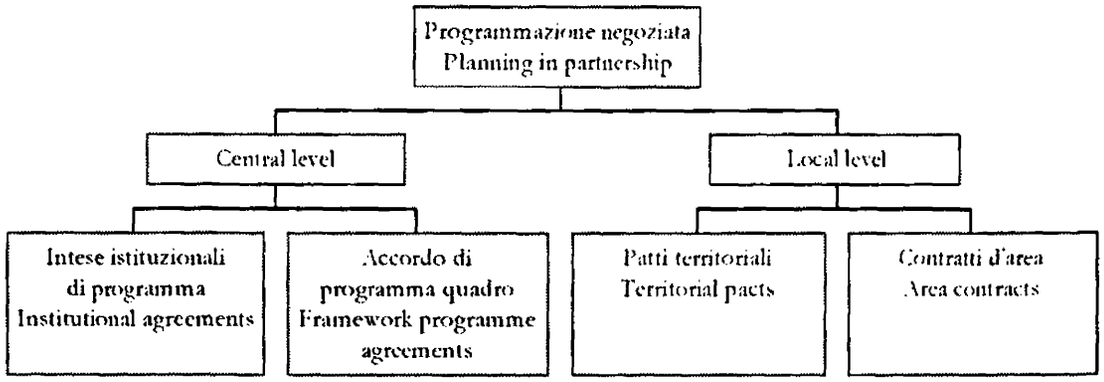


Figure 14: Planning in partnership

Essentially, *programmazione negoziata* extends the *concertazione* (or partnership) model to a local level and activates a social partnership logic understood as an agreement among economic and social forces operating at a local level. Projects and programme selection as well as bottom-up planning are essential elements of this new approach which attaches greater importance to the territory and environment in which development takes place. Centrally, this new approach initially fell under the responsibility of the Finance Ministry but subsequently was taken over by the DPSC in the Treasury.[186]

[185] Territorial pacts are different to the EU version of Territorial Employment Pacts, which also operate in Italy, although the European Commission is said to have taken its inspiration from the Italian brainchild.

[186] It was supposed to have been accorded to the *Comitato dell'intesa istituzionale* which had yet to be set up in 1997 (Sassu 1997).

Table 32: Instruments of Programmazione negoziata

Instrument	Actors	Aim	Contents
Institutional agreement	Public actors(central state, regions or autonomous provinces)	Multiannual development plan	Finance, participants, necessary administrative procedures
Framework programme agreement	Central state or region on one hand and local authorities or other public and private actors on the other	Implementing institutional agreements	Activities, time-frames and implementation methods, participants, tasks, conciliation problems, monitoring and evaluation procedures.
Territorial pacts	Local authorities, public and private actors and social partners	Local development	as above
Programme contract	Central state, big business and SMEs	Implementing planning in partnership projects	as above
Area contract	Administrations, trade unions and employers' organisations	Accelerating development and generating employment	as above

These new policy developments were driven by the necessity to simplify and accelerate the administrative and bureaucratic procedures that have bogged the implementation of EU development programmes in Italy generally, but in the south in particular. They also come from an increasingly diffuse realisation of the importance of local development for employment as emphasised in many recent EU policy documents. The common theme running through these instruments of negotiated programming is a partnership among local, institutional and private actors and national and regional administration (Angius 1997b:1). CIPE stipulated the procedural aspects of the new approach in March 1997. The main tenets of these instruments are outlined in Table 31.

Intese istituzionali di programma

Institutional agreements are instruments within which the development objectives of national government, provinces and municipalities are established. Central government and the executive (*giunta*) of each region or province outline their development objectives and sectors. They aimed to cover all state-regional/province relations regarding development. A multi-annual development plan was to be formulated by these

institutions for specific regions and provinces and implemented through an *accordo di programma quadro*[187]. Institutional agreements must contain:

- a development programme;
- framework programme agreements with peripheral state organs, local authorities, sub-regional authorities and all other public and private actors;
- criteria, time-frames and methods of implementing single agreements of the framework programme;
- methods of checking, monitoring and up-dating general objectives and implementation instruments by participants who must constitute an Institutional Management Committee (*Comitato istituzionale di gestione*) composed of representatives of the government and provincial/regional executive. The latter must establish a Joint Implementation Committee (*Comitato paritetico di attuazione*) comprising representatives of participant administration.

Before it is signed by participants, agreements must be approved by CIPE subsequent to obtaining an opinion from the Permanent Conference of relations between state, regions and autonomous provinces. Institutional agreements constitute a way for regions to establish objectives that are defined along with central government on the one hand, and provincial and local authorities on the other. Sassu (1997: 13) holds that Institutional agreements remain disconnected from implementing instruments (Territorial Pacts, Programme and Area Contracts). Moreover, he maintains that unlike EU regulations, the region's co-ordinating role in regional and local planning in Pact and Contract procedures is not recognised. In fact, regions merely subscribe to Pacts and Contracts.

Territorial Pacts

An institutional expression of social partnership to promote local and sub-regional development in under-developed areas was devised at a national level by CIPE and called Territorial Pact. This development model is the only Italian one to be mimicked by the EU as the recent DG-XVI *Communication on Structural Assistance and Employment* outlined, "the Italian model of 'Territorial Pacts' based on employment areas is undoubtedly the most innovative and advanced form of [...] expanded and dynamic partnership" (Commission 1996). The main innovation of the Territorial Pact which forms part of *programmazione negoziata*[188] is the status of public administration as an equal partner with other public and private actors (local sectoral interest groups,

[187] Article 7 of law 64/1986 provides for the programme agreement. Law 142/1990 took on the programme agreement as an instrument for inter-institutional relations. See Fancello (1991; 1993; 1995). More recently, laws and CIPE decisions redefined the instruments of negotiated programming such as laws 104/1995, 341/1995. CIPE decisions 24.02.1994, 10.05.1995, 20.11.1995. In Sardinia, regional law 14/1996 introduced the *Programmi integrati d'area* – Integrated area programmes – which utilise the programme agreement and contract instruments in the implementation phase. Law 662/1996 and CIPE decision 21/03/1997 introduced the further regulatory changes on negotiated programme planning (Angius 1997b:22).

[188] Under law 341/1995.

employers, banks, trade unions and industrial consortia). Pacts constitute agreements among these actors to co-ordinate local development initiatives and are implemented through an *idea forza* in three sectors: productive activities, infrastructure for productive activities and local development. Infrastructural projects have to be directly linked to productive activities and cannot amount to more than 30 per cent of overall spending. Private funding must account for at least 30 per cent of overall financing. Overall funding cannot exceed 100 billion lire (70 billion for financial facilities to enterprises and 30 billion for grants for infrastructure projects) which comes from private, state, local, regional and EU sources. The *Cassa depositi e prestiti* makes the necessary public funding available within thirty days of receipt of request in order to avoid delays. Pacts operate in a sub-regional area and must outline the financial and temporal commitments and obligations of all participants. Procedural aspects are also speeded up somewhat and the pacts must take account of, and be taken account of, in general regional development programmes. The recipients of funds are private enterprises, local authorities such as municipalities, regions, public-private companies and public local bodies. CIPE decision (July 1996) gives local administration the role of promoting the Pact and the social partners have the role of implementing an exchange of income policy to value sub-regional strong points. The objectives of the Pact are employment, new businesses and quality service infrastructure for the local economic system in line with the *idea forza* of the Pact. A Territorial Pact must contain:

- specific objectives of local development and its compatibility with regional planning;
- a co-ordinating body;
- commitments and obligations of all participants in implementing of the pact;
- projects and interventions with details of implementing bodies, temporal issues and implementation methods;
- a financial plan and time-tables for spending in relation to each project with an indication of the type and entity of public contributions requested from CIPE and other resources;
- an agreement among public subjects involved in the pact's implementation.

Box 2: Phases of operation of Territorial Pacts

1. Private enterprise, public sector bodies, local trade unions and local authorities propose the pact. They put forward a letter of intent between trade unions and industry associations and the availability of investment projects for business ventures and integration among them.
2. The Treasury assists proposers in the planning process with technical assistance provided by service companies selected by tender. The planning and design prerequisites to join the Pact are investment in productive activities (Ministerial Decree 527/1995) and infrastructure as required by law 109/1994.
3. The Treasury evaluates each Pact and investment project employing specialised firms selected by tender. Evaluation methods and criteria are laid down by law 488/1992. Industrial investment must be outlined with a business plan, matching funding between needs, amount and owner's equity and employment return. Infrastructure must outline cost-benefit analysis and evaluation of finance. Finally, the overall consistency of the investment projects is taken into account.
4. The Treasury decree outlines the existence of the prerequisites (letter of intent and positively evaluated investment projects), the region's advice, the overall value of Pact priorities and ascertains the level of public funding necessary for the Pact. Finally, it approves the Pact with a decree (in order to speed up the process).
5. Official agreement among the public bodies involved in the development of the Pact (central and local administration, public-private companies and public agencies to identify and regulate the tasks to be fulfilled by participants, administrative acts to be adopted (permits, licences, shorter administrative procedures *etc.*), time-frames within which tasks are to be completed and the monitoring of the agreement. The agreement must be signed by all public sector bodies within a period of sixty days from the issue of the Treasury decree.
6. A public-private company (Article 22 of law 142/1990) made up of public and private bodies as well as banks *etc.* provides the public funding grants, the private funding for the overall finance needs of the Pact and monitors the fulfilment of the tasks and time-frames of the Pact. It also provides six-monthly reports to the Treasury on the progress of implementation and expenditure.
7. The *Cassa depositi e prestiti* provides public funding to the recipients according to the short list of positively evaluated investment projects within a period of thirty days from the receipt of the list. Banks provide co-financing of investment projects to be developed within the Pact (credit market and structural funds).

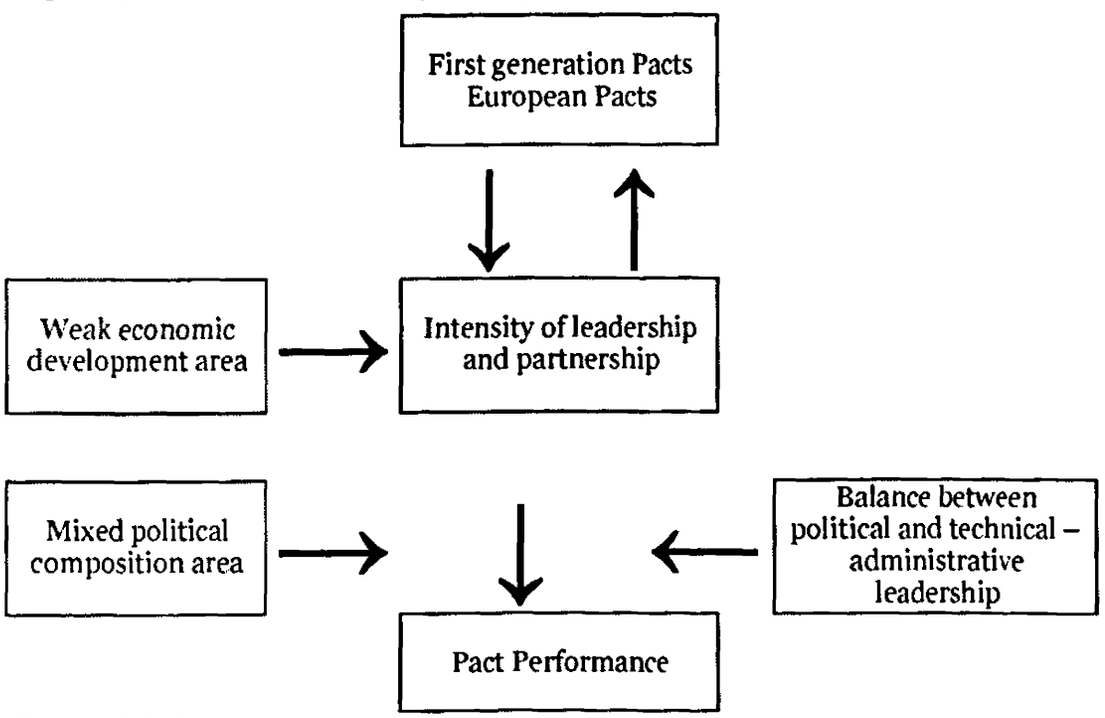
A study[189] commissioned by the DPSC completed in January 2003 and financed by National Operational Programme on Technical Assistance of the 2000-2006 Objective 1 Community Support Framework compared three types of pacts: first and second generation and EU employment pacts.[190] It found that first generation and EU pacts performed better in relation to economic aspects and governance (defined as institutional functioning especially bureaucratic procedural efficiency, public-private co-operation and planning capacity through partnership). This was attributed to the higher degree of mobilisation and co-ordination of local actors characteristic of first generation and EU Pacts. By contrast, second generation pacts lacked leadership and partnership which is

[189] For initial analyses see articles by Trigilia (2001), Cerosimo & Wolleb (2001), Barbera (2001) and Freschi (2001) in the special issue of *Stato e Mercato*.

[190] There are 12 first generation Territorial Pacts which were approved in 1996 and 1997 with the old procedure providing for Treasury and Budget Ministry's investigation of the single initiatives. There are 39 second generation pacts which were approved with the new procedure outlined between July 1998 and February 1999 in relation with the two "calls for projects" issued on 30 November 1998 and 10 April 1999. There are 8 Community Employment Pacts approved according to EU regulations as well as one hybrid which is financed with national resources but is procedurally tied to EU regulations (Corte dei Conti 2002).

due to mimetic isomorphism (*ismorphismo mimetico*) defined as dissemination by imitation (DPSC 2003: 38-9). The report also found that the co-operation of public and private subjects requires political involvement in order to make decisions that require co-operation and reciprocal trust in the formulation and realisation of projects. Moreover, technical assistance was found to be a necessary but not sufficient condition for the success of Pacts. Lastly, 'project facilitators' with technical competence coupled with an ability to stimulate co-operation among actors on highly interdependent projects that require high co-ordination were judged to be important especially in fostering communication between technical and political aspects and personnel. Figure 15 below outlines the main results of the report. Interestingly it found that pacts in areas with low social capital have achieved better economic results than those with a high degree of social capital, and areas characterised by mixed political composition have performed better than politically homogenous areas. By contrast, Trigilia (2001) points to the important role played by factors influencing the quality of interaction among actors and the organisational choices in the implementation phase.

Figure 15: Territorial Pacts: study findings



Source: DPSC 2003: 29

Area Contracts

Area contracts were also introduced under the new form of negotiated programming and constitute social partnerships as instruments for the generation of an economic environment favourable to new business initiatives and employment in manufacturing, services and tourism in unemployment crisis areas.[191] They were generated by an agreement reached between trade unions and business at the end of 1996 spurred on by rising unemployment in the south. They differ from Territorial Pacts in three ways. First, they operate in industrial areas and second, they are directed at private enterprises and constitute an agreement among workers and employers. Third, there is no limit to public funding. Area contracts aim to generate a flexible environment in industrial relations and administrative procedures to attract new business. A public body co-ordinates the activity of those responsible for single activities and measures, and ensures timely implementation. This co-ordinating body submits an implementation report outlining results, monitoring techniques *etc.* to the Ministry of Finance. An Area Contract must contain:

- objectives of entrepreneurial initiatives and possible infrastructural interventions connected to the development of these initiatives;
- activities and measures and their implementing bodies, time-frames and implementation details;
- an implementation and co-ordination body;
- costs and resources necessary for interventions requested from CIPE and other sources within the limits laid down by sectoral regulations as well as private funding;
- agreement among social partners;
- agreement among relevant public authorities and administrations involved.

[191] In Objectives 1,2 and 5b areas as well as those outlined by laws 148/93 and 236/1993.

Box 3: Procedural phases of the Area contract

1. Industry associations and trade unions propose the contract to the Task Force for local development and employment in the Prime Minister's cabinet, which is responsible for overall co-ordination. The prerequisites are industrial areas suitable for new plants and factories, a large number of investment projects and a public-private body qualified to manage an EU Global Grant.
2. The Task Force co-ordinates and involves public bodies and local authorities and provides technical assistance to the proposers in the planning process through specialised bodies selected by public tender.
3. Investment projects in the Contract are evaluated by specialised bodies selected by the Treasury. The evaluation is based on methods and criteria laid out in law 488/1992 (Business plan, owner's equity, employment results *etc.*). The Treasury determines the existence of these requirements and the availability of public funding relative to the financing needs of investments.
4. The Contract must be signed by all the participants within a period of sixty days after approval by the Treasury. Industry associations and trade unions must also sign an agreement within the same period as do public bodies involved in the contract among themselves.
5. The *Cassa depositi e prestiti* then grants public funding to the recipients according to the list of projects provided by the management body within thirty days of receiving the list.

Accordi di programma, contratti di programma and intesa di programma

Essentially their purpose is to improve co-ordination among public and private actors involved in programme planning. They herald a new form of collaboration between public administration and the private sector. A Programme agreement (*accordo di programma*) constitutes an accord among public actors in complex and integrated projects. The IMPs can be considered the harbinger of the Programme agreement.[192] The Programme Contract[193] (*contratto di programma*) is a normative framework instrument that regulates commitments taken on by the public sector with the private sector (namely large national and international industrial groups). The aim is to mobilise large organisational groups and demand for industrial research to encourage advanced technologies to move to the south. Packets of initiatives are agreed between private industrial groups and public enterprises.[194] These were later extended to SMEs and service producers.[195] The Programme understanding[196] (*intesa di programma*) provided for the updating of the tri-annual programme for the Mezzogiorno (1990 to 1992) and is an implementation instrument (like the Programme Contracts) of strategic projects. These projects which are inter-regional or national characterise the new phase of extraordinary intervention in the south. Commitments were to be of a political nature between the Minister for Extraordinary Intervention and other competent organisms in a

[192] Laws 210/1985 on rail, 64/1986 on extraordinary intervention in the Mezzogiorno, 305/1989 on tri-annual programme planning for the environment and 142/1990 on local autonomies all contain some elements of the Programme Accord.
[193] Provided for by CIPI decision 16 July 1986.
[194] For example, programme contracts with IRI and ENI.
[195] Provided for by CIPE decision 16 February 1990.
[196] Provided for CIPE decision 29 March 1990.

specific sector, for undertaking actions functionally connected to multi-annual frameworks. Obligations were to be political rather than legal in the Programme understanding, which really represents the introductory phase of the agreement.

All of these *programmazione negoziata* instruments become automatically operational and finance was made readily available within the agreement, thus considerably altering procedurally practices and speeding up programme operations. Once these instruments were put in practice, EU funds were to be directed to them in order to curb spending problems (Angius 1997a:23). These single instruments were to be activated from the 'bottom' independently of regional planning. Following the philosophy of this new 'partnership planning' for local development, the best regions can absorb Institutional Agreements into their regional development plans for those parts requiring a large commitment from the state and the region. This plethora of instruments as one regional civil servant warned, risked a bout of inflation (interview) and indeed Hine (2003) likens this period of experimentation to panic and Piattoni (2003,120) to 'devolution overload'. What is significant about these instruments is the minute detail laid out at the outset – even each lead up stage is detailed – regulating all procedures, phases and such, thus significantly limiting experimentation. Second, the complexity of the measures is remarkable and few actors fully grasp the entire spectrum. Indeed Hine (2003) asserts that "Italy's attempts to adapt to some of the features of the European approach to partnership planning, and vertical integration of tiers of government may actually have hindered its capacity to adapt to the higher rate of absorption required under the EU's new structural funds plan".

Thus *programmazione negoziata* represents a very conscious attempt to formally change institutions and model them on the 'European formula'. The problem with this formal, overtly prescriptive (even pedantic) way of bringing about change is that it is painstakingly slow and there is little room for creativity and experimentation as the rules are rigidly laid down and sometimes seem to require specialised knowledge to comprehend. Moreover, all these new instruments of *programmazione negoziata* failed to achieve the desired result which was strengthening Italy's Structural Fund absorption capacity. Indeed, rather than strengthening absorption capacity, administrative incapacity to incorporate all the elements of programme planning was highlighted and it became apparent that mimetic isomorphism does not necessarily bring about the desired results as in this case, it tended to perpetuate the already characteristic obsession with procedure in administrative circles. Nonetheless, this "undiscriminating adherence to decentralisation and participation gave way to a partial re-centralisation" (Hine 2003) in

the newest CSF and more innovative and apparently successful attempts at institutional engineering. Before going on to discuss the 2000-2006 CSF however, this chapter dwells on Sardinia during this period of Cohesion Policy implementation and *programmazione negoziata* experimentation.

Sardinia's Competing Paradigms: Master Plans and Fragmented Interventions

As was highlighted in Chapter 4, the first CSF was hampered by the following quandaries: low absorption or spending capacity resulting in tardiness, excessive fragmentation as a result of the inclusion of a myriad of actors, and the absence of private actors.[197] This section proceeds to examine the extent to which these issues were dealt with in the second CSF. The second Community Support Framework (1994-1999)[198] attempted to avoid some of the problems outlined in the first Community Support Framework evaluation. In particular, there was a drift away from dispersion (or fragmentation) to concentration:

> "to avoid making the same errors as in 1989-1993, the region, while confirming some sectors of intervention, decided to concentrate EU co-financed investments in some specific sectors" (Community Support Framework 1994-1999: 195-6).

These sectors were chosen in accordance with the overall strategy elaborated by the Italian government and the region. This strategy gives competence, to be governed by the new rules defined by CIPI (*comitato interministeriale di programmazione industriale*) decision 22 April 1993, for industrial grants, water infrastructure, rail transport, environment and cultural goods to the central state administration. The priorities outlined in the Community Support Framework were as follows for a total cost of 2,097.052 million ECUS:

1. communications;
2. industry, artisans, services and local development;
3. tourism;
4. diversification, utilisation of agricultural resources and rural development;
5. support infrastructure for economic activity;
6. utilisation of human resources;
7. and technical assistance, monitoring and evaluation.

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[197] On 30 September 1994, no private payments had occurred for the 1988-1993 CSF apart from the 8,656 million lire under the FEOGA part of the OP.

[198] It appears that the strategies adopted in the Operational Programme are laid down clearly by the national ministry as all regions essentially follow the same format of presentation of the Italian Community Support Framework.

Table 33: Community Support Framework 1994-1999 in million ECU

Funds		2.4 local development and crisis areas	4.2 rural development	Total CSF
1.public part – total		8,000	88,400	1,605,152
1a.EU funds	Total	4,000	60,000	967,100
	ERDF	4,000	0	415,000
	ESF	0	0	219,500
	EAGGF		60,000	332,600
1b.Nat. per fund	Total	4,000	28,400	638,052
	ERDF	4,000	0	392,951
	ESF	0	0	87,501
	EAGGF	0	28,400	157,600
2.Private sector		3,000	24,000	491,900
Total cost		11.000	112,400	2,097.052

Source: Community Support Framework Objective One Italy 1994-1999

Under the seventh priority, the region aimed to improve the functioning of public administration and especially a more efficient use of public resources. Thus, computer monitoring of interventions was planned. Moreover, in order to build up a reserve of projects that could be undertaken quickly, planning future interventions to be co-financed by EU funds, was stipulated as

> "in past years, Sardinia did not make recourse to these possibilities and this meant tardiness in the implementing programmes and the impossibility of undertaking some measures as well as serious difficulty for Community Support Framework monitoring" (Community Support Framework 1994-1999: 201).

Furthermore, the region intended to indicate the actions to be taken vis-à-vis local authorities and administrative organs in order to reduce time frames of implementation administrative procedures.

In contrast to the former Community Support Framework, local development features as a part of the industry, services and artisans priority:

> "to develop local resources and maintain and create jobs, the region has to help firstly SMEs and artisans as they have a real possibility of survival and competition with other businesses" (ibid. 197).

Moreover, the Community Support Framework (1994-1999: 113) outlines that:

> "the promotion of local development, with interventions to encourage territorial initiatives which are limited in relation to equipment and infrastructure such as aid and services for SMEs, assumes an increasing relevance in the context of a correctly understood regional development policy. [..] Local development measures mainly, but not exclusively, consist of promotion, in the broadest sense of the term, of that which can be defined as mobilisation of initiative, capacity and qualified human resources to favour the birth of productive systems oriented towards innovation and

internationalisation. In reality, local development aims to change the mentality of development actors".

It also stipulates that first, local development must be based on partnership among public and private local development actors, local authorities, business associations, universities and research institutes, financial institutions, chambers of commerce etc. Second, a clear definition of a project or global strategy at a territorial level based on a correct diagnosis of the potential, limits and structures able to combine supply and demand through organic and integration packages, is necessary. Third, it must be founded on the promotion of relational systems that break isolation and open up to markets external to the region. Fourth, a combination of local strategies with sectoral orientations of regional and national infrastructural programmes is necessary (ibid.).

Box 4: Local development policy measures

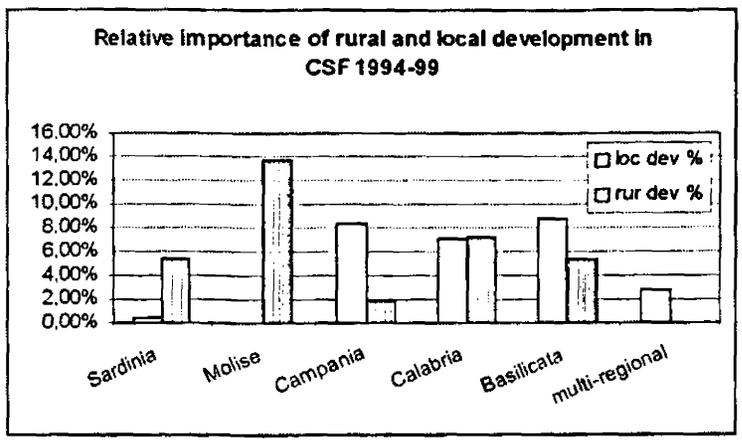
- information, training and generating awareness among local actors through the use of local structures or creating them as well as exchange and transfer of experience;
- fostering the elaboration of local development strategies and the definition of their content especially support and organisation of local services of management and financial consultancy to industrial businesses, artisans and co-operatives such as management and commercialisation, finance, marketing. Innovation, including technological, research and transfer of new knowledge, diagnosis, financial engineering services that mobilise local savings;
- research and innovation services as well as transfer of knowledge especially in clean technology sectors;
- support for local business initiatives of a smaller size which can be situated in a framework of concerted local action;
- training of personnel for business initiatives in a specific local development ambit;
- different types of small sized plants and infrastructure that are excluded from national or regional programmes but are important for meeting local demands;
- support for the elaboration of local development strategies, especially methods (evaluation, diagnosis, setting objectives, implementation measures) and consultancy and technical assistance;
- helping the medium-term or long-term evaluation of strategies and their relevance and efficiency and their possible modification.

The Community Support Framework also outlines the special attention to local development in big cities and agglomerations of the Mezzogiorno. Rural development is also mentioned as a priority in the Community Support Framework. It was allocated 631,814 million ECUs. Rural tourism[199] is to be promoted in order to diversify and integrate farm incomes but it must be accompanied by measures to improve the organisational and managerial capacity of businesses through the creation of associational forms. Other interventions include integrated agricultural tourism with operations to recover rural heritage (such as towns) and the utilisation of local produce. In monetary terms, local development fared fare worse than rural development as the former got 5.94 per cent of its priority and 0.53 per cent of the entire programme while

[199] Although there is a separate measure for tourism (71.429 million ECUs), rural tourism was included under rural development.

the latter was allocated 17.8 per cent of its priority and 5.36 per cent of the total programme. Together they account for 5.88 per cent of the entire programme.[200]

Figure 16: Relative importance of rural and local development in CSF 1994-1999



A most interesting factor of rural development programmes is the indicators chosen. For the objective of diversification and integration of agricultural income, indicators such as the number of beds in agricultural tourism farms and rural tourism, rural villages, utilisation of typical produce and improvement of grazing areas, were chosen. Other performance indicators outlined are, the presence of agricultural tourism structures, rural tourism, degree of use of these structures, rural villages, businesses participating in promotional initiatives as a percentage of agricultural business, environmental forestry as a percentage of total surface and improvement of grazing land as a percentage of total. It is evident that there is a massive concentration on tourism as the main axis of rural development.

Operational Programme 1994-1999

Many of the priorities adopted under the first Operational Programme were also adopted for the second, with some minor changes. First, more weight was attributed to strategic

[200] Interestingly, the multi-regional programme was supposed to spend 2.77 per cent of its budget on local development and nothing on rural development. This is not withstanding the fact that in contrast to 1989-1993 when multi-regional programmes regarded three sectors in rural development (technological transfer and research, qualitative improvement in the fruit and vegetable sector, spreading of expertise in agriculture and especially training experts), the 1994-99 Community Support Framework aimed to pay more attention to problems connected to rural development. However, this was understood as interventions to sustain the process of diversification of agriculture (pp.61). The multi-regional measures are managed by the Minister for Agricultural resources, food and forestry but the implementation instruments such as the Operational Programme etc. are left to the region. It is interesting to see how other regions opted to spend funding. Molise spent nothing on local development and 13.70 per cent of its budget (520,437 mecus) on rural development; Campania (3,392,519 mecus) spent 8.31 per cent on local development and 1.86 per cent on rural development; Calabria (1,852,46 mecus) spent 7.02 per cent on local development and 7.19 per cent on rural development; and Basilicata (1.206,380 mecus) spent 8.75 per cent on local development and 5.37 per cent on rural development (Community Support Framework 1994-1999).

infrastructure such as energy and research which involved a multiplicity of institutional actors and private capital. Second, sub-regional initiatives that included the social partners were privileged. Third, more concentration of funds was sought by selecting priorities on the basis of maximum funds available, that is, water, rail and telecommunications. The three funds were to operate independently of each other, although there was one monitoring system for the entire programme in order to guarantee co-ordination and common objectives. According to the evaluation of 31 December 1996 (subsequently updated to April 1997) which was compiled by the Regional Centre of Programme Planning, the Operational Programme had notable implementation difficulties: 24.86 per cent of total funds had been committed and 6.13 per cent of funds paid at that stage (RAS 1997: 3). The main problems were encountered with ERDF infrastructural projects. This is one of the drawbacks of the new concentration strategy, as it is enough for one or two projects[201] to be slow or late in starting to put the entire sum at risk. Interestingly, the implementing agency, which is the state road agency ANAS, appears to be the cause of delays (interviews and evaluation). Moreover, bureaucratic difficulties impeded the starting up of services to business as well as animation[202] and economic assistance. If funds are less concentrated, the risk spreads but fragmentation may occur. FEOGA commitments stood at 48.03 per cent and ESF at 54.05 per cent, whereas payments stood at 27.38 and 23.10 per cent respectively.

A startling difference emerges when comparing the Regional Operational Programme to the Community Support Framework, that is, local and rural development as explicitly defined in the Community Support Framework, are absent. They appear to be replaced by a myriad of ESF training and employment schemes.[203] Looking at rural development, the measures cited are the development of the Anglo-Arab-Sardinian horse, land reform as well as financial engineering, advertising and information studies. However, the measure on recovering rural heritage had its public funding reduced by 2.5 billion lire. Moreover, due to the novelty of the measures, problems arose acquiring authorisations and controversies on the use of territory. Local development measures include economic assistance and animation as well as a host of measures for industrial and artisan SMEs and services to firms.

[201] In this case, the new state road from Cagliari to Tortolì was the problem.
[202] Generally, animation is defined as economic animation in Sardinian development programmes.
[203] ESF programmes generally do not require co-funding.

In sum the ERDF part of the Operational Programme for Sardinia concentrated on five macro-areas. First, development of the tourist potential of the island and seasonal and geographical diversification (upgrading parks, in-land areas, historical town centres, enhancing hotel supply and infrastructure such as airports). Second, developing a network of SMEs by reinforcing supply of services to firms, financial incentives and strengthening research. Third, improvement of internal cohesion through the improvement of connections between low population areas and major urban centres (through road building) and upgrading of public services (water and refuse management). Fourth, improvement of the quality of life in major town centres focusing on improving transport systems. Fifth, improvement of the capacity of the Regional administration to manage EU and other regional economic development programmes. The evaluation carried out by Gemini Management Consulting (2000) affirms that the ERDF identifies shared priorities and the distribution of resources is coherent with the needs of the Region. However, the articulation of the ERDF in measures does not correspond and therefore, a strategy within each of the five priorities is missing. Furthermore, the link between the different measures and implementing actors is insufficient. Lastly, the translation between strategies and identification or implementation criteria of specific projects is not developed. The ERDF also encountered some major advancement problems in relation to some important measures[204] (Gemini Management Consulting 2000: 6).

The evaluation found that the ESF had advanced well and was sufficiently articulated but was not always coherent with the main training needs of the Region. Moreover, the fact that the Sardinian labour market tends to require less qualified/educated labour force is not reflected in ESF spending (RAS 2000). The FEOGA was evaluated vis-à-vis efficacy and efficiency and was judged to have performed "well". Niche sectors were found to be neglected in view of their strength in the regional agricultural economy as there was a concentration on olive-growing. This fund's individual sectors and strategic priorities were also, however, found to be bereft of strategies and implementation processes (Gemini Management Consulting 2000: 7). Moreover, FEOGA's aims were characterised as contingent as opposed to integrated and thus fail to affect broader rural development policy problems such as depopulation (RAS 2000).

[204] These measures were the state road mentioned previously (no. 121), the metropolitan transport system in Cagliari and technological parks.

In terms of naked figures, budget commitments were wound up on 31 December 1999 for Italy overall, while several files are still open (situation in 1999 Report of the Structural Funds) from the 1989-1993 programming period.

The biggest obstacle to the success of the Regional administration in terms of quantity and quality of EU funding, according to the evaluation, is organisation, defined as processes that enable the interaction of professional resources among offices, regional ministries and other administrations. This view has been taken on board by the Regional administration in the current Regional operational programme (RAS 2000) in which it affirms its aim to improve communication within the administration as well as with other implementing actors and to have a clearer allocation of responsibility. It also set out its intention to improve indicators and monitoring systems given that only some specific results are measured and there are no global impact data systems (situation 1999). The main 'lessons' learnt from the 1994-1999 programming experience were the need for a "*parco progetti*", that is, a pre-formulated series of projects. In fact, there is a tendency to choose immediately operational projects due to tight temporal constraints. But this has undermined planning and has resulted in a low degree of integration of measures around strategic programmes, which lessens overall impact. Other lessons include the need to slim down legislation and procedures as they hamper efficiency, reform public apparatus and privatisation and the need for more co-ordination among different programmes. What is clear is that the need for authorisations continued to slow down the regional administration during this programming period even leading to the abandonment of some measures[205] (RAS 2000). Moreover, the (excessive) *ex ante* control exercised by the regional section of the Corte dei Conti has continued to be the source of unjustifiable implementation delays. The (2000-2006) current regional operational programme will group all development instruments relevant to the region (CSF, Institutional agreement, CIPE funds, other regional policy measures and article 13 of the regional statute) thus becoming the overall development programme – mother board – the region had been seeking since the days of the IMPs.

Programmazione negoziata in Sardinia

Paci identified seven types of *programmazione negoziata* instruments in Sardinia accounting for 81 different development programmes (see Table 34). The majority in numerical terms are Integrated Area Programmes which points, perhaps, to a preference for locally managed instruments because of their administrative simplicity or relative

[205] For example, the Sulcis gassificatore project.

accessibility. Moreover, Integrated Area Programmes are present on 62 per cent of territory and out of a total of 6,000 billion lire funding for the 81 projects, they have the lion's share – 2,000 billion or 36% of the total.

Table 34: Programmazione negoziata in Sardinia

Programmes	Year of approval								
	1994	1995	1996	1997	1998	1999	2000	2001	Total
Area Contracts					2	1			3
Programme Contracts	1			1				5	7
LEADER II			1	11	4	3			19
Integrated Area Programmes				9	14	14	1		38
Territorial Pacts					1		3	2	6
Territorial Pacts for Employment					1				1
Thematic Territorial Pacts								7	7
Total	1	0	1	21	22	18	4	14	81

Source: Paci (2001:92)

It is interesting to note that Integrated Area Programmes are also the programmes characterised by the most significant delays in spending: 70 per cent of spending was still at the initial stages at the end of 2001, even though nearly three years had passed since they were approved. Paci (2001) points to the serious nature of this situation given the Integrated Area Programmes pervasiveness in monetary, numerical and territorial terms. However, implementation delays are not unique to Integrated Area Programmes. As is evident from Table 35, over half the projects are only still at beginning stages – the implementation period goes from 1994 to 2001. Obviously time is an important factor and one which continues to dog project implementation in Sardinia. Paci (2001: 93) gives the example of five projects approved in 1997 that, still in 2001, record spending less than 10 per cent of overall resources, and two thirds of projects that were approved in 1998 have spent less than 20 per cent. He points to broad participation of local actors when drafting plans, respect for town planning, procurement and environmental regulation procedures, ongoing control of resource allocation and spending and monitoring as responsible for slowing down implementation time-frames.

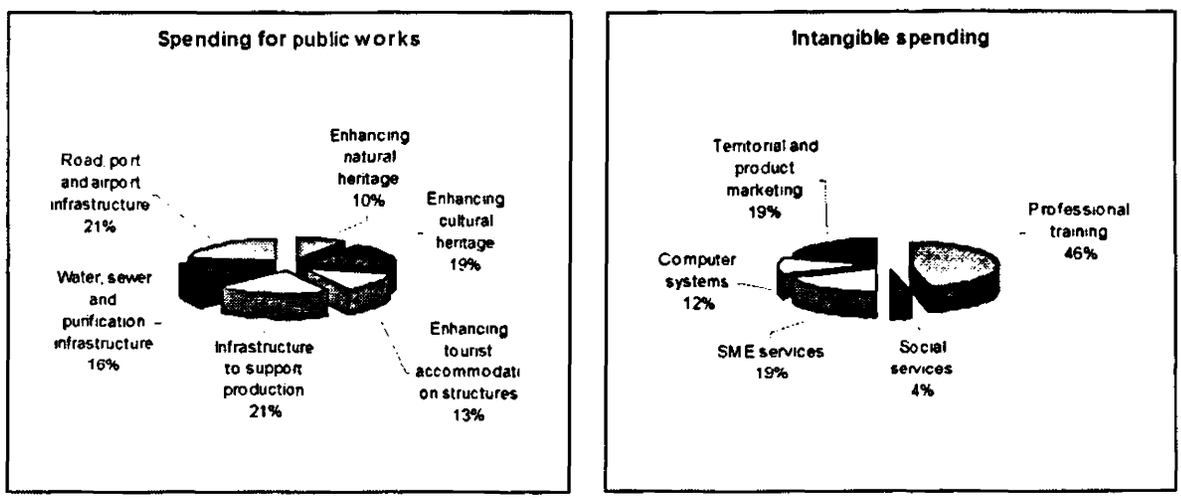
Table 35: Stages of implementation of development projects in Sardinia

Programmes	Implementation phase[206]				
	Begun 0-25%	*Being implemented* 25-75%	*Near conclusion* 75-99%	*Concluded* 100%	*Total*
Area Contracts	0	3	0	0	3
Programme Contracts	5	0	1	1	7
LEADER II	0	16	3	0	19
Integrated Area Programmes	25	8	5	0	38
Territorial Pacts	5	1	0	0	6
Territorial Pacts for Employment	0	1	0	0	1
Thematic Territorial Pacts	7	0	0	0	7
Total	42	29	9	1	81

Source: Paci (2001: 92)

In spending terms, the graphs in Figure 17 offer a specific example of two categories of spending: public works and intangible spending. Overall spending is 5,734 billion lire and public works accounts for approximately 13 per cent of that, while intangible investment accounts for 4 per cent.

Figure 17: Programmazione Negoziata Spending



The following sections examine LEADER and Territorial Pacts. Subsequently, Sardinia's own dabbling in *programmazione negoziata*, that is, the Integrated area programmes are analysed. At the time of writing no comprehensive evaluation of all these instruments had yet been undertaken as they were still in the course of implementation.

[206] Phase of implementation is defined by overall spending. A project at the beginning stages will have spent up to 25% of overall resources and so on.

LEADER I and II

In Sardinia, there was only one LEADER I programme which was in the province of Nuoro.[207] Curiously, the reason that LEADER came to Sardinia had to do with the presence of a Euro-parliamentarian who had contacts in Brussels[208] and was thus able 'to bring LEADER to Nuoro'. This group (GAL - *gruppo di azione locale* Barbagia-Baronie) worked directly with the Ministry for Agriculture and Brussels administration. LEADER II modified this procedure somewhat as the region entered the scene as co-ordinator and approver of LEADER programmes. The region also had to draft a regional LEADER programme in LEADER II.[209] According to LEADER actors, the entrance of the region onto the scene has meant longer time-frames. This is because prospective LEADER groups could not 'set up shop' or begin operation until the region drafted the regional LEADER programme. This took some time to compile. Groups had to 'show interest' in 1994 and the regional LEADER programme was compiled as late as July 1996 (there were two previous drafts in October 1995 and February 1996). In December 1996, groups had to send in their plans and in April 1997 these were approved by decree. By contrast, LEADER I took much less time to become operational (from August to September 1992) and was approved directly by the European Commission. Further to this, CIPE approved it in March 1993 and issued the decree in December 1993. Funds arrived in January 1994 and in May of the same year, spending began (interviews with LEADER Barbagia-Baronie actors).

The regional executive set up a partnership or committee on conception and decision in January 1996 according to the criteria laid down by the regional LEADER programme. This committee selected LEADER groups (Local Action Groups are limited to a population of 100,000 and deal with rural development multi-sectorally and Collective Operators which are mono-sectoral and generally deal with either agriculture or rural tourism). Nine LAGs and 2 COs were approved. A working group in the regional planning centre, which forms a part of the above-mentioned committee, was set up to assist the groups and select local action plans. Since Sardinia has activated a permanent table of consultation with the social partners (trade unions, LEADER groups, business groups

[207] Originally the LEADER programme was intended for Oristano but the prospective LEADER group was unable to obtain a bank guaranty (*fideiussione bancaria*) from the Treasury Ministry. This situation was remedied somewhat with a regional law introducing the subsidiary guarantee (*garanzia sussidiaria*) of the region.

[208] It is interesting to note that since Sardinia and Sicily together constitute one constituency in European elections, Sardinia's chances of having a Euro-MEP are substantially reduced as Sicily has a population of over 5 million compared to Sardinia's 1.5 million. There is obviously a strong tendency to vote for local candidates as it is difficult to imagine voting for a candidate from another island that is also geographically distant.

[209] Member states stipulated the drawing up of a regional LEADER programme in a communication.

and other association representatives) and the regional administration did not wish to 'overload the procedure', a consultation partnership was not specifically established.

The regional LEADER programme stipulated that FORMEZ (training and study centre) provide training for actors involved in the management of the local action programmes and generate awareness among local partnerships (Report April 1997: 1-6). A technical-administrative commission is responsible for monitoring and is composed of regional functionaries. Most LEADER programmes concentrate on rural tourism. The first LEADER experience in Nuoro would appear to be a positive one but without detailed evaluation, it is difficult to conclude. At the time of writing, LEADER II was still operating.

Nuoro Territorial Pact

The only first generation pact in Sardinia was approved in April 1997 in Nuoro and aimed at undertaking an articulated plan of investments for business and infrastructure for an overall figure of ITL. 53,858.1 million (State's contribution ITL. 44,371.1 million) with 198 new jobs in 48 months, before July 2001. The plan was made up of 16 business and 1 infrastructural projects managed by a limited liability company called *Società consortile Patto Territoriale della provincia di Nuoro.* The *idea forza* of the Nuoro Territorial Pact is self-centred endogenous development (*lo sviluppo endogeno autocentrato*) putting local entrepreneurs at the forefront of spreading a network of enterprise projects. Projects must be coherent with the aspirations and objectives of the Pact and are selected on the basis of the complete nature of documentation presented and overall credibility of projects. 106 productive projects were presented for a total cost of 769,486 million lire of which 20 were selected for a cost of 133,823 million lire. Of this total, public funding comes to 75,618 million and private investments are 58,205 million (43.5 per cent of total). The average cost per job comes to 276 million for a total forecast of 684 jobs. Of the 106 projects presented, 81 were industrial (76.4 per cent), 18 tourism (17 per cent), 4 real services (3.8 per cent), 2 agricultural (1.9 per cent) and 1 trade (0.9 per cent). Of the industrial projects, 21 were agri-food (19.8 per cent), 20 were chemicals, electronics and textiles (18.9 per cent), 15 were metal mechanics (14.2 per cent), 13 were building (12.3 per cent) and 12 were timber industry (11.3 per cent).

Table 36: Productive projects presented to Pact

Sectors	Projects	number	percentage
Industry (81-76.4%)	Agri-food	21	19.8
	Chemicals, electronics etc.	20	18.9
	Metal mechanics	15	14.2
	Building	13	12.3
	Timber industry	12	11.3
Tourism		18	17.0
Real Services		4	3.8
Agriculture		2	1.9
Commerce		1	0.9
Total		106	100

Source: Nuoro Territorial Pact (November 1996).

The projects approved confirm the "industrial vocation" of the Pact as 19 were industrial (95 per cent of total), and 1 was agricultural (5 per cent) (TP, November 1996, 20). Of these 7 were agri-food (35 per cent), 5 metal mechanics (25 per cent) and 2 timber industry (10 per cent). The remaining 5 are chemicals *etc.*

Table 37: Productive projects approved for Pact

Sectors	Projects	number	%	Investment	Average cost per job
Industry[210]	Agri-food[211]	7	35.0	16,370	188.2
	Other[212]	5	25.0	72,241	161.3
	Metal mechanics[213]	5	25.0	37,572	308.0
	Timber industry[214]	2	10.0	4,736	236.8
Agriculture[215]		1	5.0	2,904	414.9
Total		20	100	133,823	195.6

Source: Nuoro Territorial Pact (November 1996). Expressed in million lire.

In evaluating productive projects, the following points were considered:

- the managerial capacity of the project proposer (professional profile, financial capacity);
- the market concerned (degree of integration and control, trends and competitive advantages);
- the economic nature of the initiative analysed in relation to forecast budgets and financial plans developed for seven years.

Projects conforming to the coherence of the Pact were preferred. This meant that some projects which would not have been chosen on the basis of economic viability and income

[210] Industry had a total of 19 projects approved, amounting to 95 per cent of the total with an average cost per job of 130.919 million lire.
[211] Washing and packaging of cereals, coffee torrefaction, ham, frozen pasta, packaging, egg selection and spreadable cheeses.
[212] Under 'other', projects in the energy (1), chemical (1), printing (1), and textiles (2) sectors were approved.
[213] Recycling, plant engineering, light structural work, steel and chroming and flexible tubes.
[214] Collection and treatment of cork oak trees and mineralised timber production.
[215] Hen project.

generation were selected. However, all projects that did not present adequate elements were excluded. The majority of proposals were for enlarging or expanding an existing activity (8 proposals - 40 per cent) but the new initiatives (7 - 35 per cent) required the most investment (about 66 billion lire). Development proposals numbered 5 (25 per cent). Tourism, services and commerce projects failed to be included in the Pact.

Infrastructural projects are selected on the basis of economic cost-benefit analysis and coherence with the Pact as well as the viability of proposals especially in relation to projects requiring the management of third parties. Moreover, they have to be of tangible benefit to productive activities because "the under-development [of Nuoro] appears to be related to the dearth of endogenous entrepreneurial initiatives" and thus due to budget constraints, the Pact prefers productive initiatives, relegating infrastructural projects to a secondary level of importance (TP Nuoro, November 1996, 27). Five projects were presented by the municipalities of Olzai, Silanus and Bolotana as well as the mountain communities 12 (Barbagia-Mandrolisai) and 13 (Sarcidano-Barbagia di Seulo). The latter two (a packaging company and a meat plant respectively) were rejected because an economic evaluation was impossible and the proposals failed to indicate how the projects were to be managed. The other three initiatives[216] were approved for a total investment of 31,185 million lire although documentation was incomplete in some instances (TP Nuoro, November 1996). The airport development project was approved as Nuoro's under-development is in part attributed to its peripheral position in Italy.

Table 38: Nuoro TP

Interventions	Pact investment	Pact finance	Per cent	Private finance	Per cent
Productive	133,823	75,618	78.60	58,205	84.60
Infrastructural	31,185	20,601	21.40	10,584	15.40
Total	165,008	96,219	100.00	68,789	100.00

Source: Territorial Pact Nuoro (November, 1996, 33). Expressed in million lire.

For productive projects, the private sector provides 43.5 per cent of the total finance, of which 12 per cent will come from credit institutions such as SFIRS. The Pact will be implemented over a period of three years. Apart from local development and employment the Pact states as its objective the "*responsabilizzazione* and involvement of

[216] Olzai - recovering and upgrading historical-tourist-environmental resources over three years with a cost of 5 billion lire; Silanus - an equipped artisan area to host 13 enterprises PIP-Silanus (*Piani per insediamenti produttivi* which are directed at municipality size industrial areas) over a period of one year with a cost of 985.1 million lire; and Bolotana - airport construction for Central Sardinia over a period of 2 years with a total cost of 25,200 million lire. The first two are entirely financed by the Pact and the third has 64 per cent of its finance from the Pact (16,125 million lire).

public and economic private actors in planning" (1996,VII). Nuoro TP claims to have achieved this objective especially since the main protagonists of the Pact were local economic actors.

The Pact distinguishes two areas in the Province of Nuoro: Nuoro and Ogliastra.[217] The public participants of the Pact are five municipalities in Nuoro Province, Nuoro Provincial administration, Nuoro Chamber of Commerce and several industrial consortia. SFIRS lent an employee to the Chamber of Commerce to help with project formulation.[218] The private participants are Provincial Industrial Association (*Associazione Provinciale Industriali*), Provincial Farmers' Union (*Unione Provinciale Agricoltori*), Provincial Association of Business (*Associazione Provinciale del Commercio*), Provincial Artisan Union (*Unione Provinciale Artigianato*) and the Provincial CNA, as well as CGIL, CISL and UIL trade unions.

The first step of Nuoro TP was the Interest Group Forum (*Forum degli interessi*) established in 1994 which highlighted the function of Pacts as instruments for local development. An 'Agreement Protocol' (*Protocollo d'intesa*) was signed by CNEL and relevant public and private actors in 1995 with the primary local initiative of trade unions, Confindustria, API and the Farmers' Union. The Chamber of Commerce then entered the fray as the principal co-ordinator of the initiative. Initially in the first Agreement, the area covered by the Pact included Goceano and Alto Oristanese as well as the province of Nuoro. Law 123/1995 however clarified that Pacts were to be directed at integrated development at a sub-regional level and thus the Pact covers only Nuoro Province. Initial funding requests were for 1,123 billion lire, which was scaled down to 100 billion lire. Nuoro Pact was signed in December 1996. The management company outlined a number of elements as critical to the success of the pact, co-ordination and integration of projects, maximising the effects of public resources through activating private funding, *concertazione* in industrial relations, use of local credit system, simplification and acceleration of administrative procedures, and ways of resolving controversies and binding participants to their obligations. CIPE decision (10 May 1995) outlined the tasks and characteristics of the Pact agency:

- capacity to represent all Pact participants and interests;
- co-ordination of projects and their direct management;

[217] Ogliastra may become a Province in the near future.
[218] GEPI promised to provide risk capital for industrial initiatives (medium and large) and ENISUD provided assistance during the planning of some entrepreneurial initiatives. They will continue to provide such assistance for the duration of the Pact.

- promotion of actions and activities to enhance the area by mobilising necessary professional and entrepreneurial techniques;
- ensuring financial resources to advance fund and/or co-finance projects.

Nuoro Pact (entitled, *per lo sviluppo della Sardegna Centrale*) implementing agency became a public company (*società consortile per azioni*) on 20 September 1996 with 'social capital' of 20 million lire. Its members are Nuoro Chamber of Commerce (70 per cent), Industrial Association of Nuoro (10 per cent), Nuoro Farmers' Union (10 per cent) and API Sarda of Nuoro Province (10 per cent). The Province complies with the Agency, and along with the Chamber of Commerce provides organisational and management resources until CIPE funding becomes available. The Administration Council is headed by the President of the Chamber of Commerce and made up of farmers, industrialists and API representatives. ENISUD, GEPI and SFIRS have all manifested interest in participating in the Pact. There are nine members including the Province and the three above-mentioned bodies. In the end, it was decided to keep the Pact Agency slim and it is made up of the Board of Directors only. Its aims are:

- to promote direct activities for productive and employment development in Nuoro Province also through national, regional and EU funds;
- to promote the understanding of the problems and prospects for the development of the local economy;
- to enhance local human resources;
- to stimulate local entrepreneurship and attract foreign firms;
- to promote technological innovation and competition;
- to rediscover and enhance local cultural identity and favour the integration of this with industrial culture;
- to promote economic development compatible with local environmental resources;
- to supply technical support to local public institutions to undertake and promote economic development to support the role of development incubator of the local authority according to the innovations of law 142/1990;
- to supply integrative advantages with respect to that laid down by national, regional and EU regulations through supply of real and financial services to SMEs;
- to develop the role of the area of Central Sardinia as a pole for artisan SMEs;
- to supply adequate real and financial services to business.

These objectives are to be achieved through the setting up of a Centre of Service Intermediation (*Centro di intermediazione Servizi*) capable of supplying real quality services. The sectors that the Pact chose to prioritise are industry, agri-food manufacturing and tourism. The Pact also set up a consultative body for the social partners apart from the main operative structure.

Over the period of operation of the Pact, five private company beneficiaries withdrew[219] thus freeing up ITL. 25,685 million of which ITL. 20,278.4 million was reprogrammed: then there were 12 private companies, so-called Pact 'beneficiaries' costing the state ITL. 36,930.1 million. The new employment forecast was 161. The Treasury Ministry has had to 'urge' the implementing company to be more "punctual and diligent" in delivering its six-monthly reports. The latter attributed delays to lack of resources, both human and economic. Nevertheless, despite the delays in emanating *decreti di concessione* (from 1 July 1998 to 19 September 2000) and the fact that the plan was not complete at the time of writing, the Corte dei Conti's report concluded that the project managed to "take off" and the reprogramming of resources demonstrated the local will not to squander the energies that the Pact's approval mobilised. In terms of job creation, 59 jobs were created compared with the 161 forecasted (Corte dei Conti 2002).

Box 5: Pact Agency Tasks

The Pact Agency set out its tasks as follows:

- developing a consultancy and assistance office for different aspects of firm activity with particular reference to the development of industrial, artisan and manufacturing economic activities as well as tourism and services;
- creating an information and promotion centre for businesses and other economic and institutional actors to use available instruments within the framework of public regional, national or EU programmes;
- implementing research and development, training, spreading technical and scientific knowledge initiatives in order to ensure a better organisation of human resources and productive factors;
- promoting production services with particular reference to the possibility of setting up collective structures for firms (*strutture consortili interaziendali*) in agri-food and other sectors of the Province;
- undertaking projects to enhance existing firms and develop new entrepreneurial initiatives in new sectors;
- promoting services for product standards and improving the quality and certification of systems according to UNI-EN 9000 regulations;
- establishing training for introducing new technologies and methods for improving quality;
- developing co-financed investment programmes by public and private actors according to the logic of project financing.

[219] Caffè Devoto, Salumificio Murru A., Nuova Tessiture Mompiano, Sarda Emiflex and Cromotec System.

Table 39:Roles of Pact signatories

Signatory	Function
Chamber of Commerce	provides economic information on markets, on EU technical regulations; provides support to exporters; assistance and consultancy on quality; financial support to productive initiatives of tourist sector (certification of quality).
Employers' Association	provides assistance, consultancy and training directed at new and existing productive initiatives.
Trade Unions	pursue a concertation policy regarding work hours flexibility and work organisation and training with particular reference to re-insertion of the long-term unemployed into the labour market; ensure a better use of plants; adopt income policy conducive to business start-ups maximising employment effects.
Province Administration	in line with law 142/1990 provides guidance and supra-municipality representation; brings planning into line with Pact; speeds up authorisations and upgrade services; promotes and addresses training choices of the Pact along with trade unions and employers.
Municipalities	speed up permits and authorisations; favour productive establishments.
Local Banks and Credit Associations	set up a guarantee or rotation fund (Fondi di garanzia o di rotazione).

Source: (TP Nuoro, December 1996).

Although not studied in the aforementioned study commissioned by the DPSC (2003), Nuoro TP seems to be an example of a relatively functioning pact. Most certainly in a weak economic development area, it attained important results from the point of job creation and anchoring private investment. This is in part due to the period of mobilisation in which an apparently strong institutional leader, the chamber of commerce came to the fore and contributed to building up a substantial partnership which in turn led to the underpinning of institutional improvements beneficial to Pact participants. Therefore, the ability of Territorial Pacts to function in contexts rife with institutional problems would seem to be important. This remains a tentative conclusion and requires further corroboration.

Programme accord

In Sardinia, the Accord constitutes the principal instrument for implementing the Agreement Protocol (*protocollo d'intesa*) approved and committed to by the government, region and trade unions on 19 December 1990. It relates to projects in the tri-annual programme for the Mezzogiorno and in annual plans that require integrated and co-ordinated action of many public agencies (regional, local and state administration) for implementation. It is based on the unanimous consensus of actors. Legally, the Accord is an administrative act with a prescriptive content stipulating direction, co-ordination and

planning). It simplifies procedural relations among administrations and constrains actors to work within the accord. Amato (1992: 56-9) holds that the Accord is limited by institutional make up. This is because the promotion of the Accord falls within the competence of the Minister for Extraordinary Interventions in the *mezzogiorno* who has the prerogative of activating the necessary mechanisms. The co-ordination committee is a technical organ composed of representatives of participant administrations and chaired by the Department of the Mezzogiorno. This committee is responsible for inter-institutional co-ordination and monitoring the programme. The programme accord specifies the public actors involved, the obligations of each participant, costs, timeframes, financing sources, integration among interventions, possible EU funding and ways of accessing EU finance as well as the responsible party for management of the accord. In Sardinia, there is only one Accord among government, region and trade unions to industrialise central Sardinia and raise standards in public administration (see Amato 1992, 59).

This section has dealt with national development policy vis-à-vis Sardinia. The following section examines the regional administration's own development policy.

Sardinia regional authorities and local development

In Sardinia as in most of southern Italy, the development model espoused was exogenous and dependent on infinite public funds. In fact, spending on public works prevailed over spending on industrial incentives. This model raised incomes in the island but in the long term led to the region living beyond its means. Moreover, rising incomes meant rising imports, which in turn meant decimation of small indigenous producers that could not compete with northern imports. The result was dependent development and no incentives for entrepreneurial spirited individuals. Industrial poles, the cornerstone of Sardinian industrial policy, further exacerbated this situation as the heavy, capital-intensive industry did not positively contaminate the Sardinian economy, but had an ephemeral hey-day, the decline of which entailed grave consequences for the Sardinian economy. In a way, another type of development once again promoted from outside the island is tourism. The beaches and sea around Sardinia are famous all over the world but surprisingly add very little in terms of income to the Sardinian economy. This is because it is essentially controlled, promoted by and thus fills the pockets of non-Sardinians resident outside of the island. Sardinian regional authorities developed their own instrument for internal development called the Integrated Area Programmes to overcome previous deleterious models and it is to them that this chapter now turns.

Integrated Area Programmes

The Sardinian region devised Integrated Area Programmes (*Programmi integrati d'area*), which were launched in April 1997 for planning development and occupation in the four Sardinian provinces (Cagliari, Nuoro, Sassari and Oristano). Integrated Area Programmes operate at two levels, regional and local. The regional one which is made up of strategic programmes in productive sectors, infrastructure, the environment and services and is compiled by the regional executive (*giunta*) with the collaboration of the provinces (regional law 14/1996). The regional council (*consiglio*) outlines the objectives, the general means to reach objectives, constraints on methods and priorities in formulation and implementation, overall spending as well as criteria to be adopted to check results. The regional Department of Planning (*Assessorato alla programmazione*) is responsible for the formulation of the programme with the collaboration of other departments, taking account of the opinion of the provincial administrations which also express an opinion on the proposal presented to the regional executive. Programmes are approved by decree of the president of the executive after deliberation with the executive.

Local level Programmes are directed at a municipality or a level higher than that of the municipality. The province was allocated the responsibility of promoting co-ordination among municipalities, mountain communities (*comunità montane*), public and private actors as well as economic and social forces in order to formulate and co-ordinate the Programmes and come up with an integrated provincial programme. It also determines resources to be allocated to each Programme. Integrated Area Programmes can also be formulated at provincial level or among two or more provinces.

Integrated Area Programmes must contain:

- an analysis of strengths and weaknesses of territory in relation to infrastructure both generally and sectorally;
- an analysis of the characteristics and development conditions of the area concerned, highlighting the strong and weak points of the local system in which the programme operates;
- identification of sectors for intervention, defining the objectives to be achieved, motivating choices and describing characteristics and essential elements. This means that although the Regional Development Programme 1996-1998 established productive activities aimed at the export market and tourism promotional activities as the main foundations of economic development in Sardinia, this does not constrain the choice of other sectors;
- interventions directed at local development in productive sectors, infrastructure and services;
- interventions must be described and defined and the costs and financial sources as well as programme time-frames must be outlined.

- projects aimed at regional development or inter-provincial development are excluded from the Programmes as they are already included in the regional Programme.

The regional executive approves the Programmes within thirty days of receiving the approval of the budget by the regional council. The priorities for selecting Programmes are defined according to the following criteria:

- intensity of employment generated in relation to the financing required by the programme;
- intensity of co-financing of participants and in particular, that of private funding;
- degree of definition of interventions in relation to the realisation of the programme;
- degree of efficiency and effectiveness of the management of works and interventions;
- incidence of productive activities on the programme (Article 7 of regional law 14/1996).

Co-ordinators were appointed to implement the Programmes and to stimulate and co-ordinate projects. Implementation is done through Programme Accords that specify financial obligations and commitments assumed by participants as well as funding sources. For the Integrated Area Programmes, 200 billion lire for 1996, 130 billion for 1997 and 220 billion for 1998 were made available.

The regional executive set up an evaluation group in the Regional Centre for Planning (*Centro Regionale di Programmazione*) and four groups in each Province to monitor the formulation of the Programmes from the initial stages. The Province had all the documentation necessary to begin formulating programmes from March 1996. Between March and June of the same year the Provinces sent material to be approved to the Provincial Council. This material was then sent to the Region for evaluation and approval. However, this material was not adequate, according to the evaluators, for evaluating the programmes. Essentially, this was because the Department of Planning held that the Provinces emphasised "an activity of re-elaboration of the programmes, subsequently assembling and amalgamating them in terms of single projects and interventions in the context of a vast territorial area" (*La valutazione dei PIA*). Thus, the Region requested further documentation from the Province such as copies of projects proposed by the various participants. The information provided was, however, still inadequate in relation to the contents and viability of projects. Further information was provided in August. The evaluation group evaluated the Programmes proposed in the various provinces individually (17 in Cagliari, 6 in Oristano, 25 in Sassari and 16 in Nuoro). The following types of projects were rejected out of hand:

- proposals for financing without indication of the implementing agency or manager of the intervention. e.g. a proposal for a productive initiative with reference to a company which had yet to be established;

- proposals exclusively relating to financing without investment;
- interventions relating to urban infrastructure (roads, gardens, sewers etc.), urban renewal and infrastructure for productive areas that were not functional to new productive activities;
- interventions without evaluation elements or without analysis or motivation or that did not explain the viability or contribution to be made to local development.

The evaluation group reformulated proposals with 'abnormal' financial requests on the regional budget. The Integrated Area Programmes are principally directed at local development understood as a partnership operation between public and private local operators. All applicants did not grasp this tenet of the initiative as some applications consisted of lists of public works such as road building, which falls outside of the realm of the Programmes. The private sector was absent in many proposals as were references to effects on or attempts to promote productive activities. Some projects did not specify time-frames and others were anything but integrated. Duplication was rife among some proposals which means that the co-ordinating body did not adequately deal with this issue. Some proposals lacked *ex ante* evaluations or cost-benefit analyses. Other proposals did not take into account the specific characteristics of the area or sufficiently involve local actors (Internal Regional Executive Document, April 1997).

16 programmes were approved initially (5 in Nuoro and Cagliari, 2 in Oristano and 4 in Sassari) and a co-ordinator was nominated to each programme. A total amount of 800 billion lire from public and private sources was made available for the 16 Programmes. 100 billion was made available by the regional executive (*L'Unione Sarda* 20 April 1997) and 180 billion comes from CIPE.

The Integrated Area programmes attempted to introduce many novel elements into programme planning practice in Sardinian sub-regional authorities. Firstly, time frames were drastically reduced and explicitly defined. Second, more recourse is made to decrees than laws, once again to ensure speedier implementation. Third, they are based on partnership and subsidiarity. Fourth, the Province has become the fundamental interface in relations with the local level and the regional level. Thus, it has responsibility for approving the Programmes submitted by municipalities and co-ordinates the initial phases of programme formulation. (This then has to be approved by the region, which in the most recent case undid much of the Province's work.) This last innovation largely comes from state law 142/1990, which provided for an increased role for the Province in development and in relations between the region and the municipality. Fifth, the Province ensures the collaboration of economic and social actors (trade unions, employers *etc.*) from the beginning of programme formulation. Sixth, the Region

established a working group in order to ensure the continuity of relations with initiatives as well as technical assistance for programme formulation. The working group is integrated by experts from other Departments and regional authorities in relation to the professional needs of programme contents. The lack of capacity of the Province as a co-ordinator and local government in proposing projects emerges quite clearly from the experience with PIAs. Thus, some legalistic type reforms appear to be quite sterile if responsibility does not match capacity. Nonetheless, the experience also shows the Region administration beginning to experiment along the lines of Cohesion Policy practices.

Cohesion Policy, Competence and Capacity

This chapter has illustrated Sardinia's experiences with development policy on three fronts, EU, national and regional during a period of much experimentation and change in policy terms, decreasing resources overall and increasing salience for EU Cohesion Policy. Although Sardinia is an 'autonomous' region, this autonomy has been distorted as in policy terms it has been classified as an instrument to request funding from the central state (Fadda 1999). Moreover, the bearer of this autonomy – the Region – has been identified as a sort of *factotum* to satisfy all the needs of citizens. Underpinning all of this was the state's massive *intervento straordinario*. The end of southern development policy forced a general rethink of all the past developmental 'givens'. However, the advent of Cohesion Policy sidelined debates on development objectives and directions and pushed them towards discussions on allocation instruments and accessing financial means. Furthermore, southern Italy's tremendous underachievement in Cohesion Policy in terms of spending led to a panic contemplation of institutional matters, hence experimentation evident at all levels. In Sardinia, the Territorial Pact in Nuoro, while not being a substitute for development policy was relatively successful as state legislation enabled it to bypass conventional bureaucratic procedures and extremely legalistic mores. In fact, all new development instruments seek to shorten infamously long time-frames in an attempt to improve performance and eventually rectify the Cohesion Policy underspend. Working against this rectification however, are attempts to set up meaningful, decentralised partnership development and the allocation of competence that this implies – irrespective of capacity. In order to overcome this lack of capacity (affects regions, provinces and local authorities) often pedantic and excessively detailed steps and procedures are outlined which are ultimately complicated and stifle innovation and more spontaneous efforts. However, capacity not only obtains in relation to spending, there is an administrative incapacity to take on elements of programme

planning.[220] Other institutional problems are communication deficits and fragmentation between the Regional Planning Centre and other Departments of the Regional government (Pischedda 2002), inability to taken on real *ex ante* evaluations and local institutional quagmires leading to delays in implementation (ANAS, Corte dei Conti etc.).

Interestingly, in Italy generally, the regional level seems to be less open to learning than the provincial or municipal level and municipal dynamism often contrasts with regional immobility (Graziano 2000). Although its effects were slow in emerging, legislation introducing the direct election of mayors has been important in making use of this dynamism as it facilitates the emergence of strong *political* leadership.[221] However, new approaches to development and problem-solving are thwarted by the low cultural level of bureaucratic staff, which in any case spend much time coming to terms with the myriad of new instruments for development and for Cohesion Policy end up "emptying wardrobes of unfulfilled projects" instead of promoting high quality and suitable projects (Pili 2002). Another persistent difficulty was that of involving the private sector which is reluctant to work with such inefficiencies. Many of these difficulties are not specific to Sardinia but dog other Italian regions also – especially in the south. After a period of extensive experimentation bordering on panic, the central state through the DPSC attempted to take the situation in hand in order to improve performance in the subsequent programming period 2000 to 2006. It is to this period that the chapter now turns.

Hijacking Cohesion Policy for institutional engineering: CSF 2000-2006

In the first two rounds of Structural Funds, there was a general indifference to the formulation of Cohesion Policy. By contrast in the subsequent period, the Italian government came up with a policy document in an attempt to shape policy for the first time. In fact, the process of negotiation of the 2000-2006 round began a year before the programme began. Furthermore, precise timing and procedures to be respected by all institutional actors were laid out. The role of the regions increased notably as 70% of resources were to be managed by them compared with less than 50% in the 1994-1999 period. Moreover, the regional executive seems to have been strengthened vis-à-vis regional legislative bodies and the national executive, networks of interests and actors

[220] RAP 100 (network of professional assistance for local development actors) running from 1999 to 2000 was supposed to improve the capacity of local actors to engage in development projects and improve Cohesion Policy performance (Deidda 2001).
[221] Legislation introducing the direct election of the President of the Regional Council (as a sort of American-style *governor*) in 2000 could be propitious also in the future.

involved in formulation and implementation were opened and party influence on decision-making was decreased.

In the new programming period 2000-2006, there are 14 programmes in the CSF,[222] 7 regional programmes for the Mezzogiorno regions and 7 sectoral ones dealing with local development, transport, research, education, fishing, public safety and technical assistance. By contrast with the 1994-99 programming period, these 14 programmes will not contain details on development strategies. To use the available funding, they must be completed with a new series of documents, programming complements, which will be decided at national or regional level and not, as hitherto, negotiated between the EU and the state. The same applies to all member states (Dipartimento per le Politiche Comunitarie della Presidenza del Consiglio dei Ministri 2000).

The three macro-objectives of the CSF are: creating institutional capacity especially in territorial administrations of the Mezzogiorno; using attributed programmed resources fully and additionally, not in substitution and; undertaking projects that fully respond to qualitative objectives and analyses undertaken with significant indicators. What is most notable about the current CSF is the use of sanctions and rewards. In relation to the former, they will apply to those who fail to plan 60% of resources by December 2002 and 100% by the end of 2003.

The cornerstone of the new policy to bolster adaptation to EU Cohesion Policy builds on rewards, that is, the so-called '4 per cent performance reserve' spearheaded by the European Commission to be awarded at mid-term to those who satisfy 6 out of 8 of the effectiveness, management and financial management criteria laid out (see Box 6).

[222] The CSF for Objective one regions was approved in August 2000 by the European Commission.

Box 6: 4% Performance reserve mid-term CSF 2000-2006

1. The effectiveness criterion is the **basket of outputs** calculated by comparing actual and planned outputs for measures covering at least half of the value of the programme.

The management criteria are:

2. **quality of the monitoring system** - introduction of a system of indicators and monitoring procedures that respond to national standards and guarantee the availability of financial, physical and procedural data from January 2001;
3. **quality of financial control** - upgrading the control system to the model proposed in the CSF;
4. **quality of project selection systems** - application of selected procedures based on feasibility studies and criteria fostering environmental sustainability and equal opportunities;
5. **quality of evaluation systems** - appointment of the independent evaluator by October 2001 and the definition in terms of reference responding to national standards;
6. **quality of labour market analysis system** - setting up within the managing authority of a system of analysis of the most significant aspects of labour market and employment effects of interventions and dissemination of results.

The financial management criteria are:

7. **financial absorption** - attainment of 100% of declared expenditure in relation to planned expenditure in the financial plan 2000 and 2001;
8. **public-private partnership** - implementation of at least 4 public-private partnership schemes for the financing of projects.

The idea behind this is to upgrade public investment and administrative standards. The current CSF 2000-2006 sees 80% of funding earmarked to the south and the Treasury acts as co-ordinating and managing authority. What Radaelli (2000, 17) calls the general demand for 'new Maastrichts', that is, employment of external/European constraints to push through reform, led the DPSC to hijack the performance carrot, adding a further 6 per cent reserve to be awarded according to criteria defined by itself to improve institutional capacity – a real attempt at institutional design. The 6 per cent reserve has different indicators of institutional enhancement (10 indicators with 3.5 score each[223]), integration (1 indicator with score of 15) and concentration (1 indicator with score of 10).

[223] This means that for each of the 10 institutional enhancement indicators satisfied, regions obtain 0.35% of their initial budget allocation. If they satisfy all 10, then they obtain 3.5% and so on.

Table 40: 6% Reserve Performance criteria

Aim	Criteria	Indicators
Institutional enhancement	implementing national legislation fostering the process of public administration reform and procedural simplification	- delegation of managerial responsibilities to officials (dlgs 29/1993), - establishment and implementation of an internal control management unit (art. 4 dlgs 286/1999), - implementation of one-stop-shop for services, implementation of employment services
	design and implementation of organisational and administrative innovation to accelerate and make effective structural fund spending	- setting up regional and central administration evaluation units (art. 1 L 144/1999) - developing the information society in public administration
	carrying out measures aimed at the implementation of sector reforms	- preparation and approval of territorial and landscape programming documents; - concession or management by a private-public operation of integrated water services; - choice of management mode and its implementation for urban solid waste within optimal service areas; - establishment and operational performance of regional environmental agencies
Integration POR	implementation of territorial integrated projects (PITs)	- incidence of commitments of integrated territorial projects on the total amount of resources budgeted for integrated territorial projects in the operational programme
Integration PON	degree of integration of national operational programmes with regional planning	- share of commitments of investments programmed within a programme framework agreement (*accordo di programma quadro*) or any negotiated agreement between central and regional administrations over total commitments
Concentration	concentration of financial resources	- concentration of financial resources within a limited amount of measures

Source: Ministero dell'Economia e delle Finance 2002: 15).

It also differs in that it rewards attaining an exogenously set benchmark common to all programmes rather than awarding the attainment of declared performance. Moreover, single portions can be awarded for any single benchmark (as opposed to an overall score) as attainment of each target can contribute to improving the planning process and implementation. Access to single portions and affordable benchmarks benefit public administration (Anselmo & Raimondo 2002, 6). Regional administrations can extend the system to local governments and build internal incentives where they are directly involved (integration, concentration, one-stop shop and water and waste). This incentive system (both the 4% and the 6%) was put in place a year before the approval of the current CSF and so plenty of time was had to enact the necessary changes. It contributed to reducing uncertainty characterising dialogue between different levels of government, reduced the risk of renegotiating rules and pressure to change rules, and encouraged

administrations to assume responsibility for objectives and targets. Credibility was given by the European Commission and the feedback system ensured that effects were had on implementation and programming. The mid-term evaluation was the milestone for assessing how the reward system functioned.

Mid-term evaluation POR and PON

In the mid-term evaluation (Ministero dell'Economia e delle Finanze March 2003: 9-11), Sardinia's Regional Operational Programme (POR) was deemed to have had an overall "good performance" notwithstanding some critical points (*criticità*) due to the lack of human resources, complexity and duration of some procedures, inability to launch a considerable number of measures and concentration of spending relative to FEOGA and the ESF on a few measures. In order to improve the situation, the mid-term review continues, the Sardinian region must reinforce the Centro Regionale di Programmazione and provide technical assistance to local authorities especially in the implementation of PITs.[224] In July 2003, the entire measure for new business was blocked and there was no assistance for businesses interested in the PITs.

In relation to the National Operational Programme on Local Development, some mismatch was found between programming and implementation because of the difficult system of communication between programming and management. This in turn can be attributed to the fact that implementation was left to traditional methods due to the need to start spending quickly. While the POR is implemented in 10 different ways, PON is implemented along the lines laid down by regional law 15 1994. Sardinia's 'structural problems' are said to compromise the part of the local development plan dedicated to Tourism. It was found that where the Management authority is weak vis-à-vis departments of agriculture, implementation is problematic. Co-ordination is furthermore said to be lacking between the management authority and the fund authority. This 'weak governance' obtains because the regional organisation is aggravated by conflictual relations with the regional development agency responsible for implementing some measures. The evaluation concluded that serious re-programming could be in the offing if measures are not taken.

[224] The CSF introduced Integrated Territorial Programmes as a new means of ensuring integrated programming. A PIT is essentially a unitary project articulated in a series of interconnected projects aimed at achieving one or more objectives of the CSF. It is territory-specific in terms of needs and potential and is essentially a way to implement the CSF. In Sardinia with the current CSF, there are 19 PITs (13 territorial covering 51.4% of municipal administrations and 68.8% of the population) (UVAL 2003).

Sardinia's institutional performance

Sardinia only satisfied one of the 10 institutional enhancement criteria, that is, establishment and operation of evaluation units and its performance, as can be seen in Figure 18 was the worst of the regions concerned.

Fig 18: Institutional Performance in the Mezzogiorno – 6% reserve

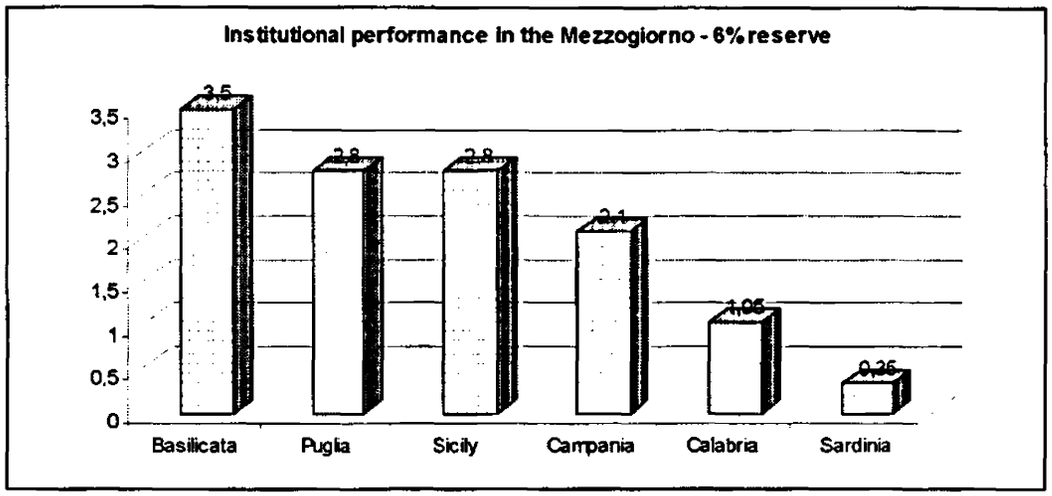


Table 41: The outcome for the 6% performance reserve (million euro)

	Institutional performance	Territorial integration	Concentration	Total
Basilicata	26,53	6,06	7,58	40,17
Puglia	75,42	0	26,94	102,36
Sicily	110,24	0	23,62	133,86
Campania	81,97	58,55	23,42	163,94
Calabria	21,37	0	12,21	33,58
Sardinia	**6,95**	**15,89**	**11,92**	**34,76**
Total	322,48	80,5	105,69	508,67

Conclusion

Radaelli (2000b, 20) holds that the Europeanisation of the Italian state is embedded in its institutions hence it cannot be characterised as mere temporary adaptation (in the inertia, adaptation, transformation, retrenchment continuum Radaelli 2000a), as the policy-level effects of Europeanisation may produce major institutional change. From the time of the IMPs it is clear that Italy has been unable to come up with "simple coping strategies or mechanisms" for European Cohesion Policy. That is not to say that it did not try. Its attempts floundered however, as it continued to register abysmal performance. At a national level during the 2000-2006 period of programming, it is reasonable to assert that Italy's adaptation is akin to (deliberate) transformation characterised by the employing of Cohesion Policy to improve institutional performance. By contrast,

although Sardinia has registered some change, it cannot be called transformation as it still has not come to terms with Cohesion Policy in its *modus operandi*. The reasons for this are manifold. First, no institutional leader has emerged at a regional level to adopt Cohesion Policy and link its success to it. The Regional Centre of Planning would have been a likely candidate for regional leadership but it carries too little political clout and lacks leadership capacities. Moreover, no strong advocacy coalition has come to the fore. But leadership was also slow to emerge at a national level. Distance from locus of decision-making makes understanding more difficult. In fact, what happened bears out the fact that change had to permeate national institutions before reaching regional ones and delays with the former led to delays with the latter. Second, institutional fragmentation is rife among the different institutional levels and therefore innovation is difficult to engender. Too many actors operate and there is a general lack of co-ordination. Third, the action capacity and competence of formal institutions as a system is grossly inefficient and the quality of administrative personnel in local institutions is slack. Ginsborg (2001:239) points to the "intensely inward-looking" ruling class and the "nature and failings" of public administration as explanations for Italian performance vis-à-vis Cohesion Policy. This bears out for Sardinia too. Moreover, partnership is difficult because of institutional culture and informal institutions which are characterised by conflict rather than co-operation. Fourth, excessive legalism has constituted a severe brunt on attempts to adapt to Cohesion Policy and creativity. Chapter 7 considers some possible explanatory mechanisms for Sardinia's poor ability to adjust to Cohesion Policy.

SECTION IV

COMPARATIVE VIEWS

Chapter 7

Comparative Analysis: Explaining Institutional Change

Introduction

> "There are no simple generalisations to be made about the mechanics of member states' adjustment to Europeanisation, given the mediating factors influencing outcomes" (Schmidt 2001:13).

This chapter accounts for the differing adjustment to Europeanisation in the case-studies, Ireland and Sardinia. In other words, it endeavours to clarify the variation in outcome of the European Commission's institution building. The experience of the two cases is comparatively presented and the main hypothesis is discussed: where there is a low formal institutional density at local level, institutions are more readily built. This can in turn lead to institutional change in other spheres through permeability. By contrast, where there is a high formal institutional density at a local level, institutions are difficult to build and institutional change is thus more complex. The experience of the two cases with the two rounds of the Structural Funds will be compared and contrasted in order to garner a greater understanding of the different kinds of misfit and adaptation strategies. Crucial to adaptation strategies is the issue of salience. The domestic impact of Cohesion Policy is then discussed in relation to policy and institutions and the European Commission's capacity to influence institutions, or indeed build institutions, will be examined. It is to adaptational pressure that the chapter now turns.

Misfit, Practical Discordance and Pressures for Change: the First Round of Structural Funds 1989-93

The situation in our case-studies before the advent of Cohesion Policy implementation is rather similar with regard to some aspects. Firstly, Ireland has long been characterised by excessive centralisation with no regional authorities, an inept and ineffectual local government system and no local development structures. Although regionalised in the 1970s, Italy too was characterised by significant centralisation, and in turn, within

Sardinia, its regional government had largely been characterised by centralisation since its inception in the post-war constitution. This led to significant difficulties in developing the sub-national or sub-regional level of development as envisaged by the European Commission. However, in a way, the advent of Cohesion Policy (and in the case of Ireland, the Common Agricultural Policy) bolstered centralised 'traditions' and discourse in the name of increased efficiency and the need to tap resources effectively, when, in the years immediately preceding Cohesion Policy internally, policy thinking and formulation had been moving away from centralisation. Policy took a significant U-turn in Ireland with central decisions to first, designate the entire Republic as one region for the purpose of Structural Funding, and second, to wholeheartedly and uncritically embrace the centralised ethos crucial to CAP implementation, on accession to the EEC. In Sardinia, local development had been a policy consideration since the 1950s but the region's *autonomia* was unable to withstand the State-imposed petro-chemical mono-culture and so national industrial policy was responsible for a U-turn. Thus, from the point of view of development discourse and policy orientation, significant fit can be observed between the European Commission and our case-studies prior to the onset of policy U turns.

The period prior to Cohesion Policy implementation cannot be taken in isolation from the initial one of Cohesion Policy implementation if the degree of fit and policy performance is to be adequately determined, as its development model only really took shape after the first reform of the Structural Funds in the late 1980s. Heretofore, it is difficult to argue that it constituted a policy at all. The case-studies began to take on different paths in this first period of Cohesion Policy implementation. Firstly, the 'state' status of Ireland, as well as its centralised overtones, can be seen to give it significant advantages in terms of ability to adapt, while Sardinia's previous experience with development policies, namely the bounteous Revival Plans, which were articulated in a similar fashion to Cohesion Policy, while seemingly providing an advantage in terms of fit, proved to be a hindrance in terms of adaptation. This is because, while its multi-tiered structure and several paying funds mirrored those of Cohesion Policy, the inability to programme a fixed amount of resources over a fixed period of time in the ambit of a clear development plan, constituted a major break from the strict programmatic guidelines, and more especially, the deadlines imposed by Cohesion Policy by which resources *had to* be committed and spent. Thus, Ireland's main element of misfit, that is, a largely centralised administration of Cohesion Policy, while mildly berated by the European Commission, also constituted its strength in terms of fund performance as a central, potent administration was quick to enact the necessary changes for Cohesion Policy and was nimble in its management of Structural Fund spending. By contrast, Sardinia's status

as a region, and consequent 'estrangement' from the locus of decision-making, coupled with the availability of massive amounts of national funding from the *Cassa per il Mezzogiorno*, meant that in the initial years, local actors had very limited understanding of Cohesion Policy and had no real stimulus to excel in spending. Experience with the Integrated Mediterranean Programmes, the precursor to the 1988 reform, is emblematic of the fundamental lack of comprehension at regional decision-making level of what the developmental policy entailed.

Without a doubt, the ability to adapt at this stage was largely conditioned by the salience of Cohesion Policy in the case-studies. In Ireland, a country with a lot of catching up with the rest of Europe to do in terms of development, the Structural Funds became immediately salient and consequently significant political and bureaucratic energy was dedicated to becoming experts at 'drawing down' funds, adapting spending needs and meeting deadlines. In fact, Irish decision-makers were quick to define State preferences and interests in relation to Cohesion Policy, as catching up with the rest of Europe in economic terms became a policy priority. Moreover, access to unprecedented and considerable development funding provided the means to achieve this policy priority. As Laffan (2000: 133; 2001) outlines, Irish policy style is "consensual, collegial and pragmatic" and directed to vital policy areas like the Structural Funds.[225] This style

> "owes much to the intimacy of the senior echelons of the Irish civil service and the ease of personal contact. Interests can be identified and aggregated with relative ease" (Laffan 2000:133).

Structural Fund salience is also behind the State's eagerness to keep a tight rein on spending as there were lots of political gains to be had, for example, from the ability to bring a new EU road to political constituencies. This meant that easy spending routes were chosen when formulating development plans and any territorial operational programmes were studiously avoided in favour of sectoral ones. Thus, any local development dimension was forsaken. Due to the availability of other copious funds in Sardinia, Cohesion Policy was slow to acquire salience. When it did, no such centralisation of Structural Funds administration ensued and in fact, Cohesion Policy got bogged down in the national and regional bureaucratic quagmire. For instance, any action to adapt to Cohesion Policy and facilitate performance required a law to be approved and these were inevitably subjected to delays. In fact, delays in activating national laws slowed down any proactive initiative regionally, as did the legal pernicketiness of central state organs like the Corte dei Conti. Even setting up

[225] See also O'Donnell (2000: 174).

administrative committees proved to be arduous. This kind of bureaucratic misfit was avoided in Ireland by keeping close central control of Structural Funding and issuing restrictive guidelines when working with sub-national authorities. In fact, the partnership principle was significantly diluted so that the central government could dictate who was to be involved and in what capacity. Sardinia's misfit was only exacerbated by the involvement of too many actors with little capacity or competence, and the widespread Italian administrative concentration on procedures as opposed to actual performance.

How can the outcomes of Europeanisation be characterised in our cases at this initial stage, that is, after the first round of the Structural Funds? The outcome in Ireland is clearly absorption as Cohesion Policy was ably accommodated without significant change. Although Cohesion Policy did not have a very good 'fit' with national policy legacies, preferences were conditioned by economic backwardness and a wish to draw down resources, and relevant institutions were well capable of adaptation. Policy legacies and preferences were maintained at virtually no cost at all in the short term, and neither politics nor economics were at issue. The outcome in Sardinia, by contrast, can be characterised as inertia as actors resisted change because of weak economic pressures to change. Moreover, there was a certain degree of 'fit' in terms of long-standing policies and policymaking institutions, that is to say, at a descriptive level concerning regional and local level institutions, multi-tiered and multi-fund development. However, misfit obtained in practice, during implementation. There was little capacity to negotiate or impose change, and/or no adequate incentive that could persuade of the necessity and appropriateness of change. Thus, policy legacies and preferences were maintained at the price of adjustment. Looking at the situation from a programmatic perspective, misfit was rife in both cases during this period. In Ireland, elements of misfit included a lack of data due to the arbitrary use of boundaries for development, a lack of data collection systems essential for monitoring, no spatial development, no co-ordination, and elements such as monitoring and evaluation were not up to standard. However, since the drive to meet spending targets took precedence over all other considerations, Ireland was considered a good performer. In Sardinia, by contrast, programmatic foibles such as not enough projects, fragmentation of measures, technical difficulties with monitoring, programmatic incomprehension and lack of co-ordination were not overruled by commendable spending performances, but further scuppered by the heretofore mentioned obsession with procedure as opposed to performance. In other words, Ireland's institutional capabilities enabled it to nimbly avoid sluggish procedures inherent in Cohesion Policy and tailor plans and projects to suit easy spending. In

Sardinia, on the other hand, institutional incapability to come to terms with Cohesion Policy procedures in its plans, jettisoned spending. Moreover, attempts to extend partnership and involve actors led to the identification of the inclusion of too many, and often weak actors, as a programmatic weakness.

So although Ireland was able to absorb Europeanisation and adapt without too much institutional overhaul, it did not completely avoid the issue of institutional change being (covertly or not) pushed by the European Commission in this period. On the contrary, it engaged in parallel experimentation with new structures for local development separate from local government. Institutional high-handedness in Ireland, which enabled it to successfully adapt to Cohesion Policy and at the same time experiment new institutional forms in order to be able to continue to operate successfully in this field, was facilitated by the early emergence of a central leadership at the Department of the Taoiseach with significant capacity to move the players on the board, and at the same time determine at a European level how they should be moved. An institutional vacuum at a sub-national level further bolstered this leadership ability to make changes that suited it such as state dictated partnership, for example. Moreover, this leadership could rely on an advocacy coalition nationally (made up of the ESRI – a renowned and well-respected think tank). No similar leadership emerged in Sardinia at a regional level[226] and indeed it took a long time to emerge nationally in Italy and to alter the knee-jerk reaction to Brussels policy characteristic of its institutions until the 1990s. This is because the Structural Funds were slow to acquire salience. In any case, it did not emerge in Sardinia because the regional level was too far removed from EU policy-making to be able to easily generate regional 'cognoscenti' and even if it had, it would still have been difficult to generate changes so expeditiously and painlessly. Any even minor institutional changes, such as establishing a single administrative committee for all EU programmes, were brought about laboriously and over a long time-frame. Nevertheless, this and other changes such as the introduction of a procedure whereby budget changes do not require laws, certainly proved significant for the second stage of Cohesion Policy implementation. In fact, some policy learning, albeit not altogether painless, was underway in Sardinia with some tough lessons on the seriousness of temporal constraints – heretofore not at all an issue with the Revival Plans –, the real meaning of integrated programming as opposed to periodic *ad hoc* programmatic changes and the importance of having instruments that match objectives so as not to slip from initial aims in implementation.

[226] The Regional Planning Centre of the Planning Department of the Region attempted to provide leadership regionally but lacked necessary political clout.

Europeanisation and Change: From the Second to the Third Round of the Structural Funds

The above-described outcomes did not remain static, however. During the period from the second round of the Structural Funds to the third, the outcome of Europeanisation in Ireland was something akin to transformation. Changes have occurred that reversed policy legacies and went against traditional policy preferences. In order for this outcome to obtain, economic vulnerability and significant political institutional capacity played an important part. The price of adjustment was the end of policy legacies and preferences. This can be likened to a paradigm shift and likely conditions for a paradigm shift are the accumulation of anomalies, experimentation with new forms of policy, and policy failures causing a shift in the locus of authority over policy and a wider contest between competing paradigms. In Sardinia the outcome of Europeanisation continues to be inertia despite continuous conscious attempts, on the part of the Italian government to bring about transformation. Inertia is the outcome despite significant economic pressures to change heightened by the end of the so-called *intervento straordinario*, the abundant state funding for the south, theoretical 'fit' in terms of policy preferences and (theoretical) legacies, as well as the apparent will to change on the part of actors. In fact, the real obstacle to transformation would appear to be the diminutive capacity for negotiating or imposing change even though the need to change is apparently obvious to all.

The difference is fundamental. Whereas, in Ireland wily decision-makers attempted to keep change at bay by making minor adjustments to accommodate Cohesion Policy and optimise spending, both Italian central and Sardinia decision-makers attempted to consciously alter the institutional context in order to conform to Cohesion Policy. Centralisation of clout and an institutional vacuum locally, worked in Ireland's favour as it was able to bring about any kind of changes that suited its strategy, however specious they may have seemed. This led to a period of creative experimentation that generated many interesting results. In Italy local institutional quagmires made any novelties or creative exploits impossible, or at least very slow to enact due to the undoubtedly gradual nature of institutional change. In Ireland, even mere comprehension of Cohesion Policy was facilitated initially by proximity to the European Commission whereas Sardinia was far removed. Moreover, a political culture characterised by the lack of formality in communication in Ireland contrasts with an extremely formal political culture characterised by a plethora of unspoken rules and protocols conditioning communication

in Italy.[227] On top of institutional differences, yet (at least partially) contingent on them, is the question of policy leadership and advocacy. The emergence of a strong policy leadership in the Taoiseach's office in Ireland led to confident innovations in policy implementation and experimentation. Obviously such a high office was well placed to anticipate, influence and understand policy emanations from Brussels, which further garnered its authority. Moreover, it swiftly surrounded itself with other, new policy actors (some NGOs), thus generating policy networks which again bolstered its leadership. In Italy, such central level leadership did not emerge in the Cohesion Policy field until the late 1990s due to, first the breakdown of the political system subsequent to *tangentopoli* and second, when such a leadership did emerge it was in response to the hazards of being excluded from the imminent Euro-zone and was therefore characterised by an obsession with meeting the Maastricht criteria. Once the danger of being excluded from EMU dissipated, this leadership did turn its hand to Cohesion Policy matters and eventually, to policy innovation and attempts to negotiate and impose change[228] (using reserve funding) came about, but only in this current phase of Structural Funding. The effects of these innovations and strategies to enact institutional change however, are slow to come about as institutional change is gradual, and that is why, even after the review of performance according to criteria laid down by the Italian government, Sardinia fares the worst of the six regions of the Mezzogiorno as it satisfied only one of the 10 institutional enhancement criteria. Also in implementing the Regional Operational Programme, the European Commission found that the region still needed to reinforce central leadership in the *Centro Regionale di Programmazione* and provide technical assistance to local authorities who continue to be out of their depth due to their low capacity. Change in Ireland was not so deliberate or conscious. On the contrary, it was precisely the canny adaptation strategies that brought about solutions that worked and permeated other institutions and policy sectors. Even the kind of experimentation adopted in Ireland proved to be more conducive to institutional learning compared with the period of institutional panic in Italy, in which conscious attempts at adaptation concentrated on laying down cumbersome procedures and may actually have hindered spending capacity (Hine 2003). Ireland has been performance-oriented from the very beginning, whereas Italy and Sardinia continue to get bogged down in procedures. Streamlined administrative procedures along with an early successful adoption of monitoring and

[227] At a conference in Louvain in March 2004, administrators involved in EU Structural Funds mentioned their frequent informal contacts with desk officers as one of their conditions for success. Moreover, English as a native language has facilitated Irish communication with the European Commission. Knowledge of foreign languages is poor in Italy generally so Italian administrators are often compelled to speak with other Italian nationals, thus limiting communication.

[228] Central level changes include the NUVAL monitoring and evaluations system. Locally, in Sardinia a new programme intent on improving public administration, RAP100 was set up.

evaluation techniques certainly enabled Ireland to be dextrous in its spending techniques, moving commitments from areas likely to under-spend, allocating funds to areas that can be implemented easily and quickly, and having projects in reserve. Taking these kind of decisions in Sardinia is much more arduous as its experience of getting stuck in the conundrums of its own programmatic decisions in both the 1989-1993 and 1994-1999 CSFs, demonstrate.

Domestic Policy Impact of Cohesion Policy

An important factor determining the domestic impact of Cohesion Policy or other European policies is official attitudes to the European Union. The case-studies differ considerably in this regard. First, Irish decision makers quickly embraced the EC and endeavoured not only to fulfil criteria and participate, as in the European Monetary System in 1979, they also endeavoured to influence and be a leading part of integration, as in the Dooge Committee[229] on the Single European Act (O'Donnell 2000:175). Second, Irish policy makers were quick to befriend the European Commission and acknowledge its importance in the early phases of the policy process (Laffan 2000:133). They established good working relationships with directorate generals and became shrewd at the kind of horse-trading that characterises policy deals. Italian decision makers, by contrast, were intensely inward-looking and European issues were "nearly always demoted by the Italian political class to a secondary place" (Ginsborg 2001:239). The experience of the first Italian president of the European Commission is illustrative: he served the minimum term and nobody could be found to replace him in Italy. In the end, Italy surrendered the Presidency.[230] Moreover, Italian representatives were never the most ambitious as "Brussels was considered a sort of exile from the delicious intrigues and power-brokering" of the Italian parliament (Ginsborg 2001:240). Secondly, the Italian national interest vis-à-vis the Structural Funds, for example, was never explicitly defined or prioritised and the failings of public administration ensured that performance lagged. In latter years, Italy was to become quite 'pro-European' but its approach remained reactive, uncritical and was not famed for excellence in implementation. Ireland's approach has matured, thanks also to prosperity, and has remained largely pro-European. The difference is that Italy sees the EU as a *deus ex macchina* and a functional 'external constraint' to finally bring about much needed reforms, whereas Ireland continues to have a performance-oriented approach to policy implementation.

[229] Jim Dooge, an Irishman, chaired the historic committee.
[230] Franco Maria Malfatti resigned in 1972 from the Presidency (see Ginsborg 2001:240).

In terms of ideas and discourse, Cohesion Policy has had a significant impact in Ireland and Sardinia. Policies have completely changed during the implementation of Cohesion Policy from the 1980s to this current programming period. However, as illustrated in the two empirical sections (II and III), much of Cohesion Policy's tenets on territorial development and inclusion of sub-national and other social actors was already evident in policy thinking and discourse in the run up Cohesion becoming an EEC policy. They remained theoretical and rhetorical however, as they found no real place in practical terms. Nonetheless, over the years of Cohesion Policy, these notions gradually found practical implementation, nudged on by the conditions inherent in Cohesion Policy as set out and verified by the European Commission. Cohesion Policy discourse has been totally and virtually uncritically absorbed in the two case-studies as the financial incentives it provides prove quite convincing. Irish policy outlooks no longer uniquely look to development differences between it and the rest of the EU, but now pay homage to internal differences in development and 'territorial disparities' that were inconceivable hitherto. Undoubtedly, this enlightenment has been facilitated by Ireland's new-found prosperity.

In terms of policy content, significant effects can be evinced in Ireland and Sardinia over the last twenty years or so. In the first place, Cohesion Policy has led to significant policy innovation and emulation: policy experimentation and blatant policy imitation took place in both cases. The results differed, however, mainly because experimentation was procedure-obsessed in Italy, taking little account of institutional capacity, and emulation is "not less difficult than autarchic decision-making" (Giuliani 2000:66). In relation to substantive content, impact is high. For example, Ireland's current development policy is dotted with unprecedented territorial and spatial concerns such as the National Spatial Strategy and the regional operational programmes, as well as numerous local development agencies. Indeed, during the 1994-1999 programming period the Operational Programme on Local, Urban and Rural Development marked a starting point in this direction. Dividing the country into two different regions to beat the system, that is, to avoid the entire country being classified as Objective 1 in transition, contrivance though it may be, led to two large regional operational programmes that are, in fact, agglomerations of the sub-regional programmes. Much funding is still being spent on roads,[231] however, but the situation has come a long way from when roads seemed to be the answer to Ireland's development problems. Sardinia's policies have

[231] The ESRI have questioned spending on roads due to inadequate cost-benefit analysis in the mid-term review of the 2000-2006 programming period, without however, undermining the importance of infrastructure.

always been territorially inclined and continue to be thus. However, policy content is very much influenced by easy spending routes, as it is in Ireland. In fact, the concentration on training spending in Ireland in the last round of the Structural Funds and in Sardinia in this current round, is due to the benefits of total financing by the ESF and the relatively easy way training courses can be activated. In fact, from the concentration on training spending, it would seem that Sardinia's development problems are primarily to do with the under-trained labour force.[232]

For obvious reasons, Cohesion Policy has led to a significant increase in resources in Ireland, as before no such munificence existed. Undoubtedly such munificence facilitated a clear definition of interests and consequent pursuance of those interests vis-à-vis the Structural Funds. In Sardinia, initially resources were not increased as such since the *Cassa per il Mezzogiorno* was fairly bounteous. However, in Sardinia too, Cohesion Policy made a significant impact on available resources when the *intervento straordinario* concluded. In both case-studies, to differing extents, Cohesion Policy resources encouraged activating private resources in forms of public-private partnership.

Cohesion Policy has significantly opened up the decision-making process in Ireland as a whole plethora of previously excluded actors are now a part of the policy process. This has happened without any fragmentation and with successful results in terms of individual Operational Programme Monitoring Committees, for example.[233] Moreover, policy-makers have become increasingly sophisticated (Finnegan 2001:188). In Sardinia, it has led to simplifying many procedures and making decision-making processes less toilsome. Here too, processes have become more open but allowing access to "weak" (or less euphemistically, incapable) actors has generated problems of its own. In Italy generally, as Giuliani (2000:65-7) illustrates, Europeanisation has tended to render actors more open to European processes and has led to the formation of epistemic communities that may in time shape institutions.

Table 42: Europeanisation: Degree of Impact

Policy elements	Ireland	Sardinia
Ideas/discourse	HIGH	HIGH
Content	HIGH	HIGH
Instruments/resources	HIGH	HIGH
Decision-making processes	HIGH	HIGH

[232] They are not.
[233] The ESRI has found in its 2000-2006 mid-term review that each Operational Programme has its own monitoring committee of public servants, European Commission representatives and outside interests, thus contributing to a successful outcome.

Domestic Institutional Impact of Cohesion Policy

Ireland readily adapted to Cohesion Policy by designing programmes primarily to draw down copious funds. The National Development Plan was taken as an overall Master Plan with multi-annual budgeting for capital purposes leading to a more efficient delivery of investment and higher rates of return. Moreover, evaluation procedures altered the way in which administrations approach public expenditure. For Italy, and more especially Sardinia, it was not so simple. First, its attempts to adapt came later than in Ireland and although it always sought a Master Plan to encompass all development efforts, it only found it in the last round of the Structural Funds – 2000-2006. Second, a dense institutional environment made adaptation more laborious, and this was further compounded by the lack of policy leadership and serious co-ordination problems at all levels. The main impact that Cohesion Policy had in Sardinia and Italy more generally, was highlighting the urgent need for reform of the public sector. Moreover, it was also used to engineer institutional change[234] and reform in this current round of Structural Funds. Co-ordination at a national level greatly improved under Cohesion Policy, but only in 1995-1998 when the Treasury had leadership of this policy area and the DPSC was established within this ministry. Other previous changes wrought, or at least brought about by the exigencies of Cohesion Policy, were the setting up of the *Fondo di rotazione* in 1990 and the 1996 legislation on planning in partnership (*programmazione negoziata*). This last reform, which was to lead to much confusion and not so much institutional reform, was the Italian state's attempt at pushing through, top-down, the European Commission's bottom-up partnership approach. In fact, it served to highlight the lack of capacity of some regions which were incapable of taking on some of these instruments.[235] Law 142 (1990) brought to the fore the role of the province which in many cases (Sardinia) was unable, ill-equipped and totally unprepared to co-ordinate municipalities or plan socio-economic development on a large scale. Similarly in Ireland, Cohesion Policy led to the emergence of Regional Authorities in 1994, which although an improvement on the previous institutional configuration seemingly unfettered by logic, were not suitable to co-ordinate or even be the main territorial level at which development was to be planned. The importance of the county-level as the most appropriate territorial division kept coming to the fore, but Irish local government was inadequate to the task at hand and so considerable experimentation resulted on the side, as it were. In terms of institutional arrangements, Cohesion Policy garnered the central leadership role of the Taoiseach's office which was to facilitate decision-making in

[234] Bassanini also attempted – unsuccessfully – to use the so-called 'external constraint' in order to force the adaptation of administrative structures (see Hine 2000:57).
[235] See, for example, Giuliani & Piattoni (2001:139).

Ireland but it took a long time for such a leadership role to emerge centrally in Italy due to internal institutional vicissitudes. That is to say, the lack of co-ordination between the Premier and other ministries was further confounded by weak inter-ministerial co-operation. This overall fragmentation characterised by a system of party vetoes and interest group pressure impeded the capacity to introduce innovative public policies (Ferrera & Gualmini 1999, 125). Moreover, the Premier's office was never a co-ordinating or leadership role as such, as incumbents were never party leaders and could therefore barely muster party support let alone coalition cohesion. Subsequent to the collapse of the party system evident in the 1994 elections, the executive was strengthened somewhat and the Premier acquired an increased role of guidance and co-ordination vis-à-vis other ministries, and therefore the government was more cohesive (Ferrera & Gualmini 1999, 129). The emergence of policy leadership at the Treasury in this sector was as a consequence of a successful experience with Maastricht. Indeed, this leadership has yet to emerge in Sardinia as is evident by its abysmal performance on the 6 per cent reserve at the mid-term review. The situation seems to have changed very little since the failure of law 64 (1986), which increased the role of regions in development and floundered because of the incapacity of these regions to take on such functions. Co-ordination remains an on-going question needing constant attention. In Ireland, at central government department level, some headway has been made in terms of interdepartmental policy groups etc. At local level it has also received much thought and seems to be under control in the County Strategy Groups or County Development Boards.

European Commission's capacity to permeate or influence institutions

What does this tell us about the European Commission's capacity to permeate or influence institutions? In Ireland, undoubtedly the immediate salience of Cohesion Policy was made possible by economic backwardness. Economic backwardness also obtained in Sardinia but policy to offset it was not dependent on European Commission resources alone, as a steady flow of significant resources had already been clinched from national government, with which, in terms of size, Cohesion Policy could not compete. Thus the European Commission's capacity to influence institutions by tying funding to certain conditions is contingent on economic needs and competing resources. Dealing directly with a 'region' in terms of policy has clearly furthered European Commission influence in Ireland, whereas Sardinia's inability to directly access the European Commission has hampered both Structural Fund understanding as well as good relations. In the context of Cohesion Policy therefore, the European Commission's ability to influence institutions is increased in state-regions or in regions in which it can dialogue directly with regional government. In terms of policy approaches, in regions

characterised by administration that concentrates on performance criteria rather than procedures in spending Structural Funds, institutional change has come about more smoothly as striving to excel in performance has indirectly influenced institutions. By contrast, deliberate conscious attempts to bring about institutional change through introducing Cohesion Policy procedures has been less effective, as there is a tendency to get bogged down in a quagmire of detail and performance lags. Institutions are better coaxed along by striving to reach targets or results than reformed consciously. Institutional experimentation has been a positive experience in Ireland where it happened alongside existing institutions, as it led to a spurt in creativity and innovation. In Italy, by contrast, the kind of experimentation championed by *programmazione negoziata* was a very conscious attempt to formally change institutions and model them on the European formula, which left little room for creativity and imposed rigid rules. Creativity is an important component facilitating institutional change, also because it facilitates the emergence of leadership. An adequate leadership can mobilise resources to push through changes and, by identifying with the policy, can make it a symbol of its success, thus adding further motivation to perform successfully.[236] These are the main factors determining the ability of Cohesion Policy's capacity to influence institutions (summarised in Table 43) when the following factors are equal: economic backwardness, policy recognition and acceptance of merits of Cohesion Policy tenets, degree of experimentation and willingness to facilitate, or even foster change. Even though local government institutions in the two case-studies were both characterised by a low capacity, the capacity to reinvent them through loose experimentation made a significant difference. In fact, it was the weakness of local government in Ireland that enabled the Taoiseach's Department (policy or norm entrepreneur) to bypass it in creating an environment conducive to creativity. Conversely, it was the strength of local institutions and their firm entrenchment in Sardinia that prevented any such strategy from being adopted. Therefore, the degree of entrenchment of institutions may even affect the ability of norm entrepreneurs or leadership to emerge. Without a doubt, proximity to EU power also facilitates the emergence of leadership as, *inter alia*, knowledge resources are easily accessed.

[236] Giuliani & Piattoni (2001:129-39) draw attention to the capacity and vision of some dynamic regional political leaders to overcome the passive resistance to the implementation of Cohesion Policy.

Table 43: Factors affecting Cohesion Policy's ability to influence institutions

Factors	Ireland	Sardinia
Salience of Cohesion Policy	High	Low
Proximity to power	High	Low
Performance oriented	High	Low
Locally devised experimentation	High	Low
Creativity space	High	Low
Active Leadership (pro-Cohesion Policy)	High	Low
Strength of local institutions	Low	High

Facilitating factors are necessary to generate sufficient conditions for institutional change/building. Firstly, actors are provided with new opportunities and constraints which sometimes lead to a domestic redistribution of power depending on actor capacity to exploit opportunities and avoid constraints. The same opportunities and constraints were provided to both case-studies by Cohesion Policy, and more particularly its reform in 1988. Ensuing power redistribution took longer in Italy than it did in Ireland. At central government level, the Taoiseach's office took on policy leadership in Cohesion Policy in the early 1990s, while in Italy, the Treasury took on policy leadership in the late 1990s. Both leaderships were able to count on an advocacy coalition. In Ireland the ESRI had a large sway over official thinking and it was quick to espouse good practice. In Italy the same advocacy coalition that brought Italy into the Euro zone was mobilised for Cohesion Policy. In Sardinia, the Regional Centre of Programme Planning's lack of political clout could go some way to explaining its lack of assertiveness and low leadership capacity.

Power dispersal makes pushing through change difficult, as fostering domestic consensus is not easy. A large number of veto points impinges on domestic actor capacity to achieve changes. Ireland's centralised status gave significant leeway to the Taoiseach's office to push through changes, and even create parallel structures to experiment rather than devolving tasks to an ineffectual local government system. At the same time, it sought to reform local government in order to prepare it to take on local development tasks at a later date. In Sardinia, change was not so easy because of multiple veto points of a dense quagmire of institutions. Therefore, it would appear to vindicate what della Cannea (2001:131) proposes: hierarchy as opposed to loose multi-level co-ordination can be an effective instrument of governance.[237]

Formal facilitating institutions enable action capacity of some actors. This relates somewhat to norm entrepreneurs that persuade others to redefine interests and

[237] Della Cannea (2001:131) draws this conclusion from Italy's last minute successful bid to join EMU.

identities. Persuasion and social learning are important and affect both policy and institutions. The Treasury and the Taoiseach's office can be considered formal facilitating institutions as they enabled regional administrations and local partnership bodies to gain capacity.

Political culture and other informal institutions are significant due to the way they condition actor action: consensus or conflict. Consensus often leads to sharing of costs of adaptation thus facilitating the accommodation of pressure for adaptation. Game theory and social psychology illustrate that "co-operative and consensual type relational systems tend to produce superior outcomes in terms of well-being: they stimulate learning and the search for innovative solutions" (Ferrera & Gualmini 1999:123). A confrontation, pluralist culture by contrast, can inhibit change. Ireland has long been dabbling in consensual partnership arrangements nationally and so political culture in this sense can be characterised as consensual. By contrast in Italy, political culture is notoriously conflictual and stand-offs are fairly common.

Explaining institutional change

Chapter 1 described the institutional change brought about by the intricacies of Cohesion Policy as exogenous and in fact, most explanations of institutional change refer to external institutional variables such as changes in resource allocation, changes in actor preferences or technological changes etc. that disturb the institutional balance and generate conditions in which the validity of consolidated rules, relations and behaviour models are questioned and new ones emerge. The exogenous change here is Cohesion Policy and is constant for both cases. Conditions for institutional change were not ripe in either case at the onset of the reformed Cohesion Policy. In Ireland, no great attention had been paid to territorial development as sectoral concerns prevailed. Thus the European Commission's institutional paradigm was deftly handled so as to pay lip-service, without bringing about significant change. It was through paying this lip service however, that institutional experimentation and creativity resulted. This period, also characterised by confusion, called into question consolidated institutional arrangements such as the emasculated nature of local government, and gave credence to the European Commission's institutional paradigm. Without a doubt, successful implementation of Cohesion Policy and best practices adopted (monitoring and evaluation) contributed to lending further credence. In Italy, conditions for change obtained after more pressing policy issues had been dealt with successfully (that is, entry into the Euro zone), and in a situation in which the debacle of the previous southern development paradigm was

irrefutable. So both countries were ready for change. However, the same exogenous factors can provoke different changes in different institutions because endogenous factors filter external changes. Change must be 'interpreted' by institutional cognitive maps and organisational paradigms and thus takes on different meanings according to how it its deciphered. Change did, in fact, take on different meanings in the case-studies due to adaptation strategies adopted, local institutional facilitating conditions and, related to these last two factors, degrees of success. In Ireland central level institutions were quick to 'interpret' Cohesion Policy and adapt accordingly in order to draw down Structural Funding. Attempts were made to absorb Cohesion Policy without wholeheartedly enacting the European Commission's institutional paradigm. Sardinia's interpreting endeavours came much later, when Cohesion Policy became more salient due to the demise of *intervento straordinario*. The regional institution's first attempt at interpreting change was with the IMP, and it did so incorrectly as it sought to use it as a mother board for all development projects on the island. Italian central institutions did not lend as much energy to interpreting Cohesion Policy as Irish ones mainly because this largesse was more salient in a country commonly considered as economically backward, than in an industrial power. In a way therefore, Europeanisation was hampered in Sardinia because of it being a part of a better off country.

An institution's 'permeability', that is to say, its capacity to neutralise change and preserve its stability depends on its degree of institutionalisation. Permeability can extend the validity of legitimation principles from one organisational field to another in an unforeseen and unexpected way. Permeability had a large part to play in bringing about changes in Ireland. By setting up several partnership bodies that had some working connections with local government, and putting in place a series of partnership practices at other levels also, previously staid, unimaginative actors were playing on the same field as dynamic actors. This led to much cross-pollination of ideas. Local government structures were well placed to take all of this in due to their low degree of institutionalisation. Sub-national institutions are largely permeable in Ireland. By contrast, Sardinia's plethora of highly institutionalised institutions, region, provinces, mountain communities, municipalities alongside national agencies etc. operating on the island (ANAS, Corte dei Conti), are well capable of neutralising change and maintaining stability. Most of these behemoths are impermeable.

Innovative responses depend on epistemic and cognitive heritage as well as the institutional sources from which it learns, and thus the same change can lead to different innovative responses. There is no doubt that the most innovative responses that left most

room for experimentation and creativity were in Ireland. It is also true that low institutionalisation of sub-national actors meant that central government could go about experimenting without any protests. Such an experiment, a feat of hierarchical, political leadership, would not have been possible in Sardinia due to high levels of institutionalisation of sub-national actors. Ireland's change had more to do with the fact that higher echelons of a well-heeled public sector dedicated themselves to the task of responding to Cohesion Policy, than cognitive or epistemic heritage. In Italy and Sardinia, this was not the case until much later and even then, in Sardinia, no such institutional leeway for innovative action nor political leadership existed.

For a necessary institutional change to be adopted, players who desire that particular institutional change are necessary, and secondly, they must have the means to prevail such as political power, personal charisma and financial clout. In Ireland, the intervenor was the department of the Taoiseach, and in Italy it was the Treasury or DPSC. In Sardinia, such an intervenor could be the *Centro Regionale di Programmazione* but it lacks political power and thus has not been successful in bringing about institutional change in Sardinia or in emerging as a dynamic leader. In fact, as we have seen leadership is a crucial factor in determining institutional change. But in order to make a difference, leadership must have political power, otherwise it will not be able to negotiate or push through changes.

Europeanisation

Two conditions have been formulated for expecting domestic change or adaptational processes in response to Europeanisation. First, Europeanisation must be 'inconvenient', *i.e.* there must be some degree of misfit or incompatibility between European-level processes, policies and institutions on the one hand, and domestic-level institutions on the other. Misfit obtained in both our cases across both policy and institutions. Institutional misfit was higher in Ireland where at a sub-national level there was a significant institutional vacuum, although nationally consensual policy-making had become a relevant phenomenon. In Sardinia, the sub-regional level is replete with institutional layers similar to the European multi-layer governance, but conflictual relations tend to prevail. Policy misfit in Ireland obtained because of the absence of territorial development policies, while in Sardinia the ethos of southern development policy clashed with Cohesion Policy principles. Misfit is a necessary condition for domestic change. Some facilitating factors must respond to adaptational pressures for change to occur. Rationalist institutionalism which treats actors as rational, goal-

oriented and purposeful, holds that misfit between European and domestic processes, policies and institutions provides societal and/or political actors with new opportunities and constraints in the pursuance of their interests. Whether such changes in the domestic opportunity structure leads to a domestic redistribution of power depends on the capacity of actors to exploit these opportunities and avoid the constraints. Two mediating factors with opposite effects influence these capacities: the existence of multiple veto points in a country's institutional structure can empower actors with diverse interests to avoid constraints leading to increased resistance to change; and formal institutions may exist providing actors with material and ideational resources to exploit new opportunities leading to an increased likelihood for change (Börzel & Risse 2000:7). Multiple veto points characterise the institutional make-up in Italy sub-nationally and in Sardinia sub-regionally, thus hampering the emergence of empowered actors or winning coalitions clamouring for change (or a leader). Different institutional actors have been very nimble in avoiding constraints and resisting change. By contrast, Ireland's centralised status and power concentration have made resisting change more difficult, and facilitated the emergence of leadership. Moreover, nationally formal institutions did not begin to take an active interest in Cohesion Policy until after Italy's place in the Euro-zone was secured whereas, in Ireland the Taoiseach's office was the facilitating formal institution actively dedicated to Cohesion Policy from the early stages. Sociological institutionalism, which argues that actors are guided by collectively shared understandings of what constitutes proper behaviour in a given rule structure and processes of persuasion, holds that European policies, norms and the collective understandings attached to them exert adaptational pressures on domestic-level processes because they do not resonate well with domestic norms and collective understandings. Two mediating factors influence the degree to which such misfit results in the internalisation of new norms and the development of new identities: change agents or norm entrepreneurs mobilise in the domestic context and persuade others to redefine their interests and identities; a political culture and other informal institutions exist that are conducive to consensus-building and cost-sharing (Börzel & Risse 2000:7). In Ireland, the change agent has been the Taoiseach's office which has been able to persuade and cajole also due to significant Structural funding. In Sardinia, no such change agent has emerged, although nationally in the Treasury Ministry, the DPSC may be considered just such a norm entrepreneur. Its persuasion techniques were bolstered by the 6 per cent reserve in the last CSF. Irish political culture can be characterised as fairly consensual when compared with that of Sardinia which is highly conflictual. Reasons for this are the nature of political divisions and historical trajectories.

Both rationalist and sociological institutionalism have been helpful in accounting for the explanatory factors for change in the case-studies. The bridge provided by Europeanisation between these different theories of institutionalism provides a useful conceptual framework and takes account of both agency and structure. The outcome of Europeanisation was different: in Ireland, first absorption and then transformation; in Sardinia, inertia. There is also a temporal factor to be taken into account as change takes longer in highly institutionalised situations (along institutional paths) than in institutional vacuums. That coupled with Cohesion Policy's delay in acquiring salience in Sardinia could mean that transformation may obtain in years to come. In Italy generally, it is reasonable to assert that the outcome of Europeanisation has changed, that is transformation has occurred, *to differing extents* in different regional settings. Many reasons have been offered for this variation,[238] but arguments based on evidence of not just north-south variation, seem to be the least simplistic. Giuliani and Piattoni (2001:129) point to dynamic political leadership as the main reason for differing Cohesion Policy performances which would appear to concur with the main thrust of this thesis.

Cohesion Policy's institution building has tended to set off domestic experimentation and change the nature of local institutions involved in local development. Loose experimentation enables creativity and facilitates the emergence of new institutional forms. Moreover, institutional permeability may lead to changes spilling over to existing institutions. Experimentation of this kind is easier to accomplish in the absence of entrenched local institutions, as more creativity is permitted and actors learn from experience. This leads to increased levels of innovative institutional 'ways of doing things' geared at improving performance. In Ireland, Cohesion Policy's delivery system mainly generated participative rather than representative institutions, thus including previously excluded actors. There was a shift away from local government to local 'management structures'. Business interests as well as the community and voluntary sector were accorded institutional roles in the new local development ethos pioneered in the Operational Programme for Local Urban and Rural Development, from 1994 to 1999. The community and voluntary sector rather than the business sector constitutes the real newcomer to the local development scene, and its participation was by no means linear or without pitfalls as we saw in Chapter 5 (monopolies of some community representatives, community representatives having difficulty dealing with the predominant business management ethos etc.). Experimentation resulted in most of

[238] The most controversial account is undoubtedly Putnam's (1993), which attributes enormous importance to social capital and historical path dependency.

these problems being resolved at the local level and subsequently spilling over into the national sector: in fact, NESF, the national body representing the community and voluntary sectors, became an active partner in national partnership agreements. Hitherto, national partnership agreements had been the realm of business, trade unions and government. Partnership, which was a requirement for Area Based Partnerships and County Enterprise Boards, but not for LEADER groups even though it was chosen as the preferred operating structure by them also, succeeded in bringing these actors together. Often, partnerships developed according to the dominant partner and in some cases ended up resembling state agencies in Ireland. Nonetheless, the picture that emerges from Chapter 5 is a wide participatory partnership approach, encompassing the community and voluntary sector, state agencies and social partners, to local development which is more area-based and locally-specific, with a broader policy agenda than ever before. By contrast, Chapter 6 has shown some experimentation pioneered by the Sardinian region in the late 1990s with the Integrated Area Programmes. Creativity was somewhat stultified by the necessity of operating through existing jaded, inexperienced institutions that had been accorded new competencies by national legislation (law 142 of 1990), irrespective of lagging capacity: municipalities and provinces. Yet, experience suggests that experimenting with, or expecting creativity from such an outdated, procedure-obsessed public administration was folly. Where development structures veered from existing local institutions, namely the Nuoro Territorial Pact, some progress was made in mobilising local resources.

In Ireland, loose experimentation did not mean lack of control however, as local partnership bodies were monitored, guided and often constrained by central government ministries. Moreover, the fact that they were linked seemingly inexorably to the life span of the second Community Support Framework, facilitated creativity as actors were motivated to perform well in order to bring about their very survival. However, it also generated a significant degree of uncertainty which may have hampered performance in terms of long-term strategies. Interestingly, where public officials were most involved, the County Enterprise Boards, creativity and innovation was low. In Sardinia, it has been difficult to siphon off 'development power' from embedded local representative institutions and public officials, and institutional experimentation with existing institutions did not allow for the same degree of institutional creativity. When the Italian government belatedly began experimenting with different types of local partnership, it did so in a rigid, complicated way, attempting to shape each and every move made by structures. This primarily led to confusion rather than creativity among local actors.

In Ireland, this period of loose experimentation harboured the accumulation of anomalies which led to various attempts to bring order to chaos by enacting institutional change. The role in local development, or absence thereof, of local government was called into question leading to a flurry of thinking about how to resolve questions of participation with those of representation, without dissipating the local development drive. Ideas were manifold from different bodies specifically charged with 'thinking': the Devolution Commission and the Inter-departmental Task Force on the Integration of Local Government and Local Development Systems. In the end, a vibrant local development institutional scenario prevailed, with specific links to local government through first Strategy Groups, and then, Development Boards, with a view to a long-term integration of development and government structures. More importantly, the question of spatial development became a policy norm and was grafted onto the county level. In Sardinia, for institutional change to take shape locally, more time is necessary to reform existing institutions. Even the last mid-term review judged its institutional performance to be the worst of the regions of the Mezzogiorno, thus decreasing its intake of performance reserve funding. However, as Chapter 6 shows, the early years of the new century have witnessed the increased cognisance and understanding of these foibles as well as resulting policy moves are being made to come to terms with the shortcomings of public administration both nationally (NUVAL) and sub-nationally (RAP100). Reform of this kind is lengthy and difficult to engender as it tends to be path dependent. The importance of a leadership role at regional level was specifically pointed to in the last mid-term evaluation (of the 2000 to 2006 programming period), which advised the reinforcement of the role of the Regional Centre of Programme Planning.

The third hypothesis was that the openness of domestic institutions constitutes the main overriding contributory factor to the effectiveness of the 'new' institutions insofar as the quality of their participation is incisive. That is to say, central government openness to the tenets of Cohesion Policy and its delivery system is crucial to its successful implementation in regions. Without policy leadership nationally, very little can be accomplished by way of change locally: the state is gate-keeper as it filters through change in the implementation of Cohesion Policy. It may not agree with the institution building propensities of the European Commission, but it is encouraged (or bribed) to acquiesce in order to draw down funding and therefore, it willingly opens the gate. New institutional forms take shape and acquire a life and logic of their own. Institutional effectiveness was examined in the case-study chapters in terms of policy implementation performance. The expectation was that innovative institutional forms are more effective than traditional ones because traditional ones are not equipped to deal with Cohesion

Policy. This holds true in the case-studies analysed here. Initially, Italian domestic institutions could not be characterised as being particularly open to Cohesion Policy. On the contrary, Europe was considered as a "disturbance factor by Italian politicians, introducing as it did norms, directions and requirements which threatened to upset time-honoured patterns of resource distribution" (Ginsborg 2001: 241). The matching funding requirements were

> "inconvenient or in conflict with narrower patterns of local patronage, as were the controls that the Community wished to enforce on the spending of its funds. It was better not to have the funds than to unleash external interference, better to stay out of the European mainstream than upset carefully constructed centre-periphery clienteles (Ginsborg 2001: 242).[239]

Yet, when central government did belatedly attempt to conform to the delivery system, it did so in such a rigid way that Hine (2003) asserts that "Italy's attempt to adapt to some of the features of the European approach to partnership planning and vertical integration of tiers of government may actually have hindered its capacity to adapt to the higher rate of absorption required under the EU's new structural funds plan". This is because it attempted to work with a process-obsessed public administration that it never succeeded in reforming. In Ireland, by contrast, public administration is not so process-obsessed and has benefited enormously from interactions with counterparts from other countries and Brussels in general (O'Donnell 2000; Laffan 2000; Finnegan 2001). Experience with the Structural Funds has brought out a performance oriented approach, geared at obtaining maximum funding. Such a performance oriented approach looked to respecting spending targets and formulating the best means to do so. Much lateral thinking ensued with institutional experimentation as the result.

The fact that Sardinia is a part of Italy means that it has less leadership capacity than Ireland: less access to negotiating tables; less ability to identify interests and represent them; and less ability to build consensus around strategies pursued. The ability to adapt to Cohesion Policy is enhanced in a state as interests are more readily aggregated at national level and can be more clearly and forcefully represented at pertinent and potent negotiating tables. Leadership in Cohesion Policy was well placed in the hothouse of power at the Department of the Taoiseach which was in turn well placed to push interests at European tables and to gather knowledge resources, whereas Sardinia's interests are not so readily identified nor represented by Italy[240]. In sum, Dublin adds capacity to region-Ireland in a way that Rome does not *vis-à-vis* Sardinia. However, Sardinia is at a

[239] Ginsborg draws on an analysis by Giuliani (1992).
[240] The fact that Sardinia was part of a better off country also hampered adaptation as Cohesion Policy was slow to become salient.

further disadvantage according to Piattoni (2003:136), as its Objective 1 status means that it receives a lot of policy support from the state (the DPS) and therefore does not appear to feel the full responsibility of decentralised decision-making: it awaits state input but does not tolerate it so well. Thus, state-Italy and region-Sardinia do not work so well together. However, some other Italian regions have successfully developed leadership capacity notwithstanding Objective 1 status which points to the explanatory power of a different variable, namely politics. Political stability could be a more important variable than state status because it is what lends coherence and durability to leadership be it central or regional. The successful experience of many regions in Italy and elsewhere vis-à-vis Cohesion Policy tends to support this argument as does the central role of politics in policy-making.[241] Sardinia does not possess this kind of political stability which, more than its region-status, hampers its leadership capacity.

The findings presented in this research clearly validate the institutionalist claim that institutions are not neutral and that they do merely reflect social forces but can shape actors' identities, power and strategies. Sociological and historical institutionalism are useful frameworks for explaining stability and lack of change while economic new institutionalism attributes a greater role to actors in, for example, choosing institutions. The Europeanisation framework developed by Börzel (2002) and Börzel & Risse (2000) cleverly weaves these differing degrees of emphasis on structure and agency together and forwards a blueprint for analysing the domestic impact of European policy. It posits a necessary but not sufficient condition for expecting change or adaptational processes, that is, the incompatibility of European policies and domestic ones or 'misfit'. Moreover, it develops four facilitating factors that constitute sufficient conditions for expecting change: a low number of veto points; formal facilitating institutions; the presence of norm entrepreneurs that persuade others to redefine their interests; and a political culture oriented to consensual relations. Different degrees of change occur as a result of Europeanisation, that is, inertia (low), absorption (modest) and transformation (high). The analysis of the effects of Cohesion Policy on institutions in Ireland and Sardinia has demonstrated the utility of this framework which neither underestimates or overestimates the role of actors or structure but places them on the same level as facilitating factors. Agency is crucial to understanding the impact of Cohesion Policy in our case studies as the role of policy entrepreneurs and veto players demonstrates. However, capacity for leadership can be structurally dependent as was the case in Ireland: leadership on local development issues was taken by the Taoiseach's Department

[241] See for example Piattoni & Smyrl (2003) who document the positive experience of the Tuscan and Abruzzo regions and the less positive experience of the Liguria and Puglia regions.

which was able to take a cavalier attitude to existing, albeit weak, institutions in order to ensure adaptation. In a centralised state with a strong executive, that is possible; in Italy or Sardinia, it is reasonable to assume that that could never occur. Political culture is an important determining factor also in terms of whether it is conflictual or consensual. Political stability and low ideological differences paved the way for a ready identification of interests and the ability to pursue them systematically over time in Ireland, whereas in Sardinia, the opposite is true. Moreover, Sardinia, as a regional government had a weak position in structures and networks of interest representation (Piattoni & Smyrl 2003:136) and was unable to press its interests at important tables at the same level as Ireland.[242]

An additional facilitating factor that appears important from evidence presented here is the issue of salience of policy. This in turn is tied to questions of motivation and timing. In Ireland, Cohesion Policy became immediately salient due to economic backwardness *vis-à-vis* the rest of the EU and the lack of funds to promote development and thus policy makers were highly motivated to become *au fait* with policy tenets. In Sardinia, it took longer to acquire salience due to the presence of less complicated kinds of funding and therefore policy makers were not motivated to become familiar with policy and it continued to be a source of confusion well in to the 1990s (Piattoni & Smyrl 2003:137). Different outcomes in the case studies could change in time with changes in facilitating factors, like increased salience for example. Cohesion Policy acquired salience in Italy after its status with EMU was sorted out thus the Treasury Ministry Unit dedicated to development policies only actively began seeking to bring about institutional change in order to better implement Cohesion Policy in the current round of Structural Funding (2000-2006). By contrast, institutional leadership in Ireland to actively pioneer adaptation had emerged almost ten years earlier.

Experimentation and learning has played an important part in adaptation processes and often the kind of experimentation enabled in the case studies proved to be an important variable. In Ireland, experimentation was open and left a lot of room for creativity whereas in Italy, experimentation was more rigidly set out on paper and did not leave room for creativeness. Experimenting 'on the side' rather than within mainstream institutions provided obvious advantages in Ireland where a whole new plethora of actors were brought into the process while local government was kept on the fringes. Nonetheless, this decoupling led to demands for reform and institutional change in local

[242] The exclusion of the Mezzogiorno from the Cohesion Fund is an obvious example of the Italian government not vociferously pursuing the interests of southern regions.

government. It is doubtful whether such creativity and inclusion could have been accomplished if the local development drive had been anchored to local government in its original early 1990s emasculated state. Experimenting with mainstream institutions is a more difficult matter exacerbated by complicated arrangements and obsession with procedure in Italy.

Europeanisation "has contributed to the emergence of new insight, original explanations, and interesting questions on three important issues: the understanding and analysis of 'impact', how to endogeneise international governance in models of domestic politics, and the relationship between agency and change" (Radaelli 2004:2). It is especially useful in terms of policy impacts on institutions. It can be likened to institutionalisation or institution building and therefore has three dimensions.[243] First, typifying certain practices and differentiating them from others within a domain. Second, certain elements are no longer judged by efficacy but become automatic and are validated ceremonially. Third, depersonalisation of practices so that they are independent of the discretion of individuals (Lanzalaco 1995). Therefore, the value of Europeanisation is as a framework to facilitate understanding rather than a theory with powers of prediction.

Conclusion

The empirical evidence comparatively presented in this chapter serves to corroborate the main hypothesis of this thesis, that is, where there is a low formal institutional density at local level, institutions are more readily built. This can in turn lead to institutional change in other spheres through permeability. By contrast, where there is a high formal institutional density at a local level, institutions are difficult to build and institutional change is thus more complex. Significant misfit characterised both cases in the first round of the Structural Funds but the substance of misfit differed. In the second and third round of Structural Funds, adaptation strategies diverged and brought about distinct outcomes due to facilitating factors such as *inter alia* leadership. Europeanisation is useful in accounting for institutional change. Moreover, the ability of the European Commission to bring about institutional change or indeed, build institutions indirectly through Cohesion Policy and its institutional paradigm has been demonstrated. The factors facilitating or constraining successful institution building for local development have been outlined. Moreover, this analysis has shown how Cohesion Policy can be perceived as the European Commission's tool to provoke reform of local institutions. Italian decision-makers have wholeheartedly adopted the EU *tout court* as

[243] See also Giuliani (2004:10) who develops this analogy in detail.

an "external constraint" in different policy areas in the late 1990s in order to finally put their house in order. This forms part of what Giuliani (2000:51) calls Europeanisation as normalisation which denotes an idealisation of foreign experiences, or even xenophilia, and leads to attempts to push through domestic reforms by tying them in some way to the EU. In the current round of the Structural Funds, from 2000 to 2006, they have embraced Cohesion Policy's institutional indicators to bring about institutional change and facilitate European Commission institution building. Irish decision-makers had a more canny attitude to Structural Funding from the beginning when it acquired immediate salience. That is to say, that in attempting to maximise draw-downs from the Structural Funds, they willingly facilitated the European Commission's institution building. In Ireland, Europeanisation can be said to have brought about transformation, whereas in Sardinia, the outcome has been inertia. In the latter case, however, given the unfolding of events and policy developments, the outcome may change in coming years although much depends on the success of reform of a complex public administration.

Conclusion

This thesis presented an analysis of the difficulties of building institutions and making them effective in the context of the delivery system of the European Union's Cohesion Policy. Chapter 1 presented the theoretical framework which draws heavily from new institutionalism and the useful bridge among the different branches of institutionalism provided by Europeanisation literature. In particular, the concept of misfit was borrowed in order to establish how domestic institutions differed from European ones in the context of Cohesion Policy. Moreover, factors facilitating or constraining change were identified in the literature. Subsequently, the research design was presented as a comparative study of two objective 1 regions, Ireland and Sardinia. For analytical purposes, the period of study was disaggregated into two periods which correspond to Section II and Section III of the thesis: first, the period up to the 1988 reform together with the initial programming period of Cohesion Policy, from 1989 to 1993; and, second, the second programming period from 1994 to 1999. Hypotheses regarding the domestic impact of Cohesion Policy in terms of institution building were then formulated. They related to institution building, innovation and effectiveness. Lastly Chapter 1 outlined the data sources and methodology used throughout the thesis. Chapter 2 charted the development of Cohesion Policy from its inception to its current format, examining in particular its key moments such as the 1988 reform.

Chapter 3 forayed into the differing local development approaches in Ireland both prior to Cohesion Policy and during the first programming period of Cohesion Policy implementation. Evidence points to much penetration of Commission thinking in Irish policy-making despite a high degree of misfit or adaptational pressure, centred mainly on centralised government and inept local government, data lacunae, co-ordination conundrums, and a lack of experience with area-based or spatial policies. High adaptational pressure spurred decision-makers to rectify the situation and a period of experimentation ensued. This period of experimentation was spearheaded by the Department of the Taoiseach and adaptation was a policy priority due to the importance of drawing down Structural Funding. Chapter 4 established misfit between Cohesion Policy and domestic development policy in Sardinia: legal delays and overemphasis on legal matters mainly due to concentration on procedure as opposed to performance; low administrative efficiency and verve; and partly linked with the low efficiency is the failure

to comprehend Cohesion Policy exacerbated by the lateness with which it acquired salience.

The establishment of misfit or adaptational pressure lays the basis for Section III which explores institutional change or building in Ireland and Sardinia. Chapter 5 outlined the Irish experience of learning through experimentation, emulation and permeability. That development problems exist within Ireland has been acknowledged and the accumulation of institutional anomalies such as proliferation of partnership bodies, typical of periods of experimentation, has led to moves to underpin good practice institutionally. This is to be achieved by tying participative local institutions to representative ones without dissipating the drive of the former or the legitimacy of the latter. Moreover, territorial disaggregation finally settled on the most historically consonant division which is the county. The County Development Boards embody institutional transformation at a local development level in Ireland. Chapter 6 illustrated Sardinia's tardiness in coming to terms with Cohesion Policy and its poor performance thereafter. An explanatory factor is certainly the lack of an institutional leader at a national level to espouse Cohesion Policy norms or encourage change. When experimentation was provided for, it was highly restrictive and did not leave much room for creativity. Moreover, institutional fragmentation and distance from decision-making exacerbated this situation. Capacity and competence of Italian public administration is notoriously poor (see *inter alia* Ginsborg 2001), and greatly hampers policy performance. Furthermore, it makes institutions impervious to change. Local entrenched institutions have also proved impermeable and regional institutional leadership was not forthcoming. Formal active institutional change is currently being engineered in the Community Support Framework with incentives offered in the form of more funding. Even among its counterparts of the Mezzogiorno, not renowned for wonderful performance, Sardinia lags at last place behind Calabria.

Section IV has drawn conclusions from the empirical evidence presented in the previous two Sections. Chapter 7 attempted to explain institutional change in the case-studies and discuss the hypotheses forwarded in Chapter 1. It then evaluated the explanatory power of the literature on Europeanisation and isolated the most important explanatory factors for differing institution building results in different settings. Salience of the policy determines the degree to which drawing down Structural Funding, and therefore implementing Cohesion Policy, is a priority. Apart from economic factors, salience can also be facilitated by proximity to the locus of decision-making. Therefore, state-regions may be at an advantage over region-regions. Moreover, an outward-looking ruling class,

as is evident in the Irish case, is of benefit to the sub-national level and drawing down funding, rather than an inward-looking ruling class, like the Italian one, reluctant to take an active role in European matters. In fact, the degree to which Cohesion Policy can build institutions in member states ultimately depends on the degree to which policy tenets are embraced by existing domestic institutions and in turn, their capacity and will to see these changes through in their respective regions. Capacity is important to bring about desired changes. The unwieldy, inefficient, procedure-oriented yet potent public administration in Sardinia weighs heavily against change and is not prone to creative experimentation. By contrast, the lightweight, albeit inept local administration in Ireland was unable to unduly negatively affect institution building which was wholeheartedly embraced by national, performance-oriented institutions. Moreover, institution building for local development is facilitated by the absence of entrenched institutions locally and a consensual political culture is more suitable than a conflictual one in bringing about change.

Recent developments in the elected cases

In June 2002 the Department of Community, Rural and Gaeltacht Affairs was set up with responsibility for local development, rural development and community development programmes, which somewhat rationalised central institutional articulation.[244] In fact, the new Department took on LEADER as well as other community initiatives along with the Local Development and Social Inclusion Programme of the 2000-2006 NDP and works with ADM as well as the Western Development Commission. The rationale for its establishment was to produce a "more co-ordinated engagement by the state with communities around the country as they pursue their own development". In order to effectively pursue this objective, a review process of existing practices and structures was initiated in February 2003. At the time of writing this process is still underway and no results have of yet been published.[245] A desire for more coherence at local level among different development structures and enhancing the driving role of the County or City Development Boards appears to motivate the review as it found that

> "the multiplicity and complexity of structures is to a great extent the result of the approach of central Government departments over the years. Across the range of departments dealing with disadvantage and social inclusion, it is difficult to see a consistent coherent approach to tackling particular issues.

[244] See table 30 and 31 for previous articulation.
[245] See www.pobail.ie for details and a discussion paper that presents the initial thinking of the review. Its remit covers improving on the ground services, supports and impacts on local communities from within existing levels of resources; streamlining and rationalising structures so as to avoid overlaps, duplication and undue administrative overheads; bringing transparency, co-ordination and improved control to the funding and operation of local/community development measures; strengthening the democratic accountability of agencies and service providers in this area.

> Even now, after the establishment of the Department of Community, Rural and Gaeltacht Affairs, new structures and schemes could be formulated within Government departments and agencies to tackle specific issues that might be better left to existing local agencies and bodies".

This leads to the conclusion that while lack of co-ordination, duplication and complexity still appear to be problems at a local level and even at central level, the institution of the Department is an important step to overcome these problems centrally and the review process is an important tool to effect rationalisation at a local level. Locally co-ordination has already improved but it is still not satisfactory. The involvement of the CDBs in endorsing agency annual plans has generated some resentment as being so close to the local authority structure has diminished the autonomy of the local agencies. The Department intends drawing up guidelines to enhance the monitoring role of the CDBs. Once again the choice of the county level has been consolidated as it provides a "manageable and comprehendible locus for measuring the expenditure and impact of programmes and schemes for communities".

At the same time the enhanced policy role of elected members of local authorities, namely through Strategic Policy Committees, was reviewed by the Institute of Public Administration (2004) at the request of the Department of the Environment and Local Government.[246] The SPCs were set up as a result of the 1996 White Paper and given a statutory basis with the Local Government Act of 2001 to "consider matters connected with the formulation, development, monitoring and review of policy which relate to the functions of the local authority and advise the authority on those matters". Strategic Policy Committees focus on areas such as housing, infrastructure, planning, environmental services, community, social and cultural development. Their role is to assist local authorities in the formulation, development and review of policies for their respective areas of responsibility. *Inter alia* whether SPCs have contributed to the formulation, development and review of policy in their local authority; links between SPCs and CDBs, other relevant agencies outside the formal local authority structure, and the Department of the Environment, Heritage and Local Government. It found that "there was doubt among a number of contributors as to whether the discussion within SPCs was properly reflected in the county/city development board (CDB) forum by SPC chairpersons"; "there could be better feedback to SPC members on the activities of the CDB, and those elements of the county/city strategies that impinge on the activities of the SPC". In relation to central government departments, the report found that

[246] The IPA also carried out a more detailed review of the Local Government Modernisation Programme which examined progress in areas such as corporate planning, financial and human resource management, customer action plans, integrated service delivery, and the use of ICT.

> "it is difficult for SPCs to function where local authorities are operating in a straightjacket. It is important that a "policy space" be left so that central government priorities can be adapted to local circumstances. Government departments, when they are issuing guidelines (as opposed to explicit direction), need to make it clear that they are just that: guidelines, rather than instructions".

The report concluded on a relatively sanguine basis asserting that the SPC process offers elected members and sectoral interests a greater role in policy development than hitherto:

> "whether or not SPC members take that opportunity is partly up to themselves and their level of commitment to the process, and partly dependent upon whether or not they receive the support needed to fulfil a policy development role".

This finding is consistent with the variation among SPC progress in different local authorities and within local authorities.

These latest institutional developments centrally and reviews locally show the level of transformation achieved as a result of pressure from Europeanisation in Ireland. The Local Government Act of 2001 built on the white papers that preceded it in order to give indelible expression to a modernised local government with a heretofore inconceivably enhanced policy role for the elected member. It underpins the programme of local government renewal, introducing a range of reforms to enhance the democratic nature of local government. The Act consolidates local government legislation, which is scattered throughout various enactments dating back to the 19th century. The central aims of the Act are to enhance the role of the elected member; support community involvement with local authorities in a more participative local democracy; modernise local government legislation, and provide the framework for new financial management systems and other procedures to promote efficiency and effectiveness.

The predominance of the county level as opposed to a dubious regional one has been consolidated with the County Development Boards. The CDBs have also cemented local authority membership in local development structures with the requirement that they must endorse development body plans and co-ordinate them in their area. Each CDB has now drawn up an agreed Strategy for Economic, Social and Cultural Development for its county or city. These Strategies will be the template guiding the delivery of public and local development activity over the next ten years. The CDBs will aim to ensure the avoidance of duplication in the delivery of services at local level, as well as filling gaps in meeting the needs of their communities. At a central government level, a more rational

institutional expression has been given to policy areas of local, rural and community development in the form of the Department of Community, Rural and Gaeltacht Affairs which has finally succeeded in decoupling rural development from agriculture and local development from sport. Transformation is by no means complete but it is certainly well underway as recent findings argue that local partnerships

> "have led to better representation of different voices in policy discussions about local economic and social development and to important institutional modifications to the organisation of local government in the country" (Teague & Murphy 2004:31).

The main elements of this transformation are more local participation, less bureaucracy and an enhanced local government system.

There is some evidence to suggest that Sardinia is making some progress in adaptation and is slowly moving out of its inertia. Some institutional innovations at a national level could enhance leadership capacity in Sardinia in order to further adaptation. Legislation in 1999 provided for the direct election of the President of the Region which gives much potential to the emergence of a strong regional leadership.[247] Other institutional reforms are more ambiguous: the federalist (centre-left) or devolution (centre-right) drive in Italy has been highly politicised and neither side of the fractious bi-polar divide has offered a clear, complete solution in the form of legislation.[248] In 2001 the centre-left's bill was approved and largely revolved around articles 117 and 118 of the Constitution. Bull (2002:187) asserts that this reform is coherent from the point of view of redesigning the functions of national and sub-national entities, reshaping their relations and maintaining the supremacy of the state. She also maintains (2002:188) that the areas in which state and regions have concurrent legislative powers are too numerous and wide-ranging especially given that the law does not specify who is responsible for what. This dearth of clarity is likely to lead to conflict which would risk thwarting efficiency in favour of chaos. The reform did not explicitly recognise regional variation in capacity and therefore rejected any form of consequent variable geometry. Bull forwards that the centre-left have adopted this kind of federalism, which is really a form of advanced decentralisation, as an answer to the need to generate a more efficient and effective administrative system while preserving uniform laws and procedures. In fact, the Bassanini laws showed how

[247] Although political instability continues to hamper the emergence of leadership (Piattoni 2002:132).
[248] The centre-left version appears more like 'advanced decentralisation' in order to harness federalism to administrative reform. The centre-right version is spearheaded by Bossi's devolution drive which appears to be more concerned with reassuring his electorate in 'Padania' than a comprehensive reform proposal. Both are riddled with inconsistencies and lacune especially concerning the role of the Senate as a Chamber of the Regions (see Bull 2002).

the centre-left's approach to federalism was in essence an attempt to harness administrative reform to the federalist drive (Bull 2002:189-190).

One important reform introduced by law 59 of 1997 (Bassanini) was the enhancement of the hitherto largely ineffective *Cabina di Regia* (CdR); it was made the fulcrum of co-ordination and dialogue between the state and the regions. It was further enhanced by a legislative decree in the same year (no. 281 of 28 August) which made it obligatory for the state to consult it on legislative bills and decrees on subjects of regional competence (Piattoni 2003:124). Piattoni maintains that the CdR confers awareness of their role to regions and has endowed multi-level governance with a deliberative dimension. The importance of the revamped CdR has been bolstered by the newly acquired political strength of regional presidents and their ability to present a unified position vis-à-vis the state (Piattoni 2003:125). In relation to the specific case of Sardinia, adaptation is slow due to the experience of extraordinary development from 1950-1992 which generated a centralised, politicised method of programme planning that was difficult to overcome. Moreover, the real effects and potential benefits of decentralised decision-making have not been felt by Sardinia, because as an objective one region, it is still chaperoned by the state, especially the DPS (ibid.). These findings support the view that adaptation is underway, albeit more slowly than in Ireland and in time more political stability coupled with enhanced leadership capacity could lead to more change.

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