



Comitato di
Amministrazioni centrali
per la politica di coesione
2007-2013

Preliminary National Strategic Document 2007-2013

Executive Summary

November 2005

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Continuity, discontinuity and priorities

This a summary of the main content and guidelines of the Preliminary National Strategic Document for Italian regional policy. Together with the strategic documents drawn up by the individual regions, as well as the strategic document for Southern Italy, its purpose was to initiate the technical and administrative process for the preparation of the National Strategic Framework (NSF) for 2007-2013, through which Italy shall plan its regional policy for the next seven years, meaning the planning of EU resources for cohesion policy and of the national resources for regional funding, which implement article 119.5 of the Italian Constitution.

To determine the procedure for constructing the NSF, a set of Guidelines was drawn up and approved under an agreement dated 3rd February 2005 between central, regional and local governments. Among other things, the Guidelines stipulated that the formulation of the NSF would be the occasion for achieving a unified programming for both EU and national policies, and at the same time establishing a tighter link between these and ordinary national policies for economic development. The Guidelines also stated that the NSF would include both strategic and selected operational guidelines.

The process set under the Guidelines foresaw three phases: a strategic vision by regions and central government, taking into account the impact of past policy, followed by strategic negotiation and further evolution between the central government and the regions, ending with a "Technical Draft of the NSF" by April 2006. All the planning phases called for dialogue and contacts with the economic and social partners and with the representatives of local government bodies. The overall process placed significant importance on diagnosis, evaluation and comparison of the contents.

During the first phase, each region and autonomous province, as well as the central administration as a whole, drew up a preliminary strategic document of its own. The Preliminary National Strategic Document is the joint document prepared by central administrations. The document was drawn up by twelve bodies¹ within the central administration working under the coordination of the Ministry of Economy and Finance – Department for Development and Cohesion Policies, through technical evaluations and joint work with the institutional, economic and social partners.

In the case of Southern Italy, regions were engaged, during the first phase, in drawing up their preliminary strategic documents (RSD) in a coordinated mode and in contact with the Department for Development and Cohesion Policies of the Ministry of Economy and Finance, with the objective of formulating, at the same time, a joint document entitled "Guidelines for a New Programme for Southern Italy".

¹ The following Ministries were involved: Economy and Finance, Labour and Social Policies, Foreign Affairs, Education, University and Research, Productive Activities, Environment and Territorial Protection, Infrastructures and Transportation, Internal Affairs, Agricultural and Forestry Policies, Cultural Resources and Activities, Health. Also taking part in the proceedings of the Committee was the Prime Minister's Office (through its various departments) and the national statistical institute ISTAT.

Executive Summary

Objectives and contents

1. Regional policy can make a relevant contribution to enhancing the competitiveness and productivity of the entire country and to reducing the persistent under-utilisation of resources in Southern Italy (the Mezzogiorno). In order to achieve these objectives, regional policy must draw lessons from the innovative policy carried out in 2000-2006, identifying *continuities* and *discontinuities* while pursuing the strategic *priorities* brought to light by the analysis.

These are the recommendations contained and presented in detail in the Preliminary National Strategic Document prepared by twelve central administrations, for the purpose of initiating, together with regional governments, the planning of European Union and national resources relevant to regional policy for the 2007-2013 period.

2. The Document follows the “evaluate to decide” approach typical of the new method for planning public investments in Italy. The starting point in Chapter I is a diagnosis of the trends shown by the Italian economy, with its current productivity stagnation, plus an evaluation of externally-driven scenarios for the coming decade. Next, in Chapter II and Chapter III, there is an evaluation of the financial and real impact of regional policy carried out with EU and national funds.

National funds for “under-utilised areas” (i.e. Southern Italy and some central-northern areas) are provided to implement article 119.5 of the Italian Constitution:

“The State shall allocate additional resources and adopt special measures in favour of specific municipalities, provinces, metropolitan cities and regions to promote economic development along with social cohesion and solidarity, to reduce economic and social imbalances, to foster the exercise of the rights of the person or to achieve goals other than those pursued in the ordinary implementation of their functions.”

These funds represent a very relevant share of total Public Administration capital expenditure. In the Mezzogiorno, for the years 2000-2006, total P.A. capital expenditure was Euro 20,6 bn per year, of which Euro 5,1 bn per year was either EU funding or co-financing and Euro 5,0 bn were national regional policy funding provided by a single fund called Unified Fund for Under-Utilised Areas.

In evaluating this expenditure, the objectives initially set are reviewed, the results are assessed, the strong points and weaknesses are evaluated, and lessons are drawn for the future.

Based on these preliminary analyses, the first considerations are proposed – in keeping with the “preliminary” nature of the document – regarding continuities, discontinuities and planning priorities for the 2007-2013 period. Chapter IV focuses on issues of content: which objectives should be stressed, how this should be done and what should not be done. Chapter V examines process issues: what institutional framework should be adopted, what innovations in governance, and what role partnership should play.

3. At the same time, the Document offers a number of overall recommendations, identifying, once again on a preliminary basis, certain clear-cut priorities. This result is made possible precisely by the existence of a monitoring and research mechanism that was not available when the planning for 2000-2006 began.

What is “regional policy”?

4. In Italy the term “regional policy”, in current usage and in official documents, and therefore in this text as well, refers to development policy aimed at strengthening cohesion, socio-economic balance and the competitive strength of specific territories. In compliance with the indications of the Treaty of the European Union and the Italian Constitution, the emphasis is therefore placed on the *intentional* and *additional* nature of the policy focused on specific territories. In other European countries this policy is sometimes referred to as “territorial policy”².

Regional policy is not the same thing, therefore, as either development policy as a whole (given that a large part of development policy is conducted on the basis of general national objectives and not specific territorial ones) or as the sum of the development initiatives carried out by regional governments. Within their territories the regions also implement initiatives that are ordinary and not additional in nature, while, at the same time, “regional policy” may be enacted from the centre.

5. To summarise, in this context regional policy means development policy that supplements the ordinary actions carried out by either central or regional governments. Development policy as a whole breaks down into two distinct components which we can define as “ordinary policy” (or, sometimes, “national policy”) and “regional policy”. Both possess a national strategic scope and a focus on their territorial structuring; both may be managed by central or regional governments. The difference between the two lies in the objective and in the origin of the financial resources with which they are funded.

The objective of ordinary development policy is to provide, given the constraints of public financing, the highest possible level of services and wellbeing, with no regard to differences in levels of development, as if all the territories involved were characterised by “ordinary conditions”. The goal of regional policy follows full consideration of differences in regional development. It is geared, therefore, to ensuring that the objectives of competitive capacity are achieved by *all* the territories, including those that present socio-economic imbalances, delays or situations of crisis tied to the loss of comparative advantages. The final objectives are different, and so are the financial resources. “Regional policy”, defined in this manner, is funded with resources allocated both by the European budget (resources for cohesion) and the national budget (the Fund for Under-Utilised Areas). “Ordinary policy” is funded with ordinary budget resources.

6. Regional policy can be effective only if it is fully distinct in financial and planning terms from ordinary policy, so as to guarantee its additional nature, while remaining closely integrated with ordinary policy, being focused on the common goal of competitive capacity.

² The term “territorial” is also used by the OECD to indicate this type of policy. It should be noted, for that matter, that the terms “regional” or “territorial” are sometimes used, in a broader sense, to refer to any policy of development focused on specific territories, even if not additional in nature.

Therefore, in line with the orientations of the “Guidelines”, the planning for 2007-2013 must simultaneously:

- ensure the unified nature, during the phases of both planning and implementation, of the regional policy carried out with EU or national funds (the Document frequently uses the expression “regional, EU and national policy”);
- pursue the objective of coherence between regional and ordinary development policy, taking this into account in the programming documents of the different levels of government, as well as in their strategic action plans, while monitoring the distinct financial values in terms of both legal commitments and spending.

Coherence between regional policy and ordinary policy can be favoured by their joint alignment with the Lisbon and Goteborg Strategies³. By further developing the approach taken in the Plan for Innovation, Growth and Employment presented by Italy to the European Commission on 17 October 2005, this Document structures the priorities in a manner that highlights and facilitates the process of strategic coherence referred to below⁴.

Diagnosis and scenarios

7. A diagnosis of the country’s socio-economic situation, confirmed by the numerous studies available, shows, from the end of the 1990s onwards: a *growth rate lower than that of the other European countries*, especially in terms of industrial production (which has fallen in Italy during the last five years, primarily in the mechanical engineering and automotive industries, but also due to the high rates of mortality in traditional sectors); a *lack of competitiveness*, in terms of both the dynamics of the quantity of exports (of which the world market share fell by more than a quarter during the last decade) and the volume of direct investments entering the country; a *notable growth in employment*, with a corresponding drop in the rate of unemployment; and, most significantly, *stagnation of productivity* (with average annual growth of barely 0.6 percent over the last decade in the value added per worker).

8. *Southern Italy has moved in partial contrast to this trend*, registering higher growth in production and productivity than the central and northern regions, followed, though only up to 2002, by an improvement in employment. The trend of greater growth in this area is not due to the public sector, whose “contribution to the demand” for growth (through consumption on the part of the Public Administration and public works) has actually been lower than in the central and northern regions. Instead, the higher growth has been triggered by two virtuous factors that are new to the area: *lower growth in net imports* and *increased growth in investments in machinery and equipment* (or, for the last five years, a reduction at a lower than historic rate). Nevertheless, the scale of this growth has not been sufficient to offset the overall national outlook of deep-rooted economic difficulties. Growth in Southern Italy remains below the European average, in contrast to the planning objectives for 2000-2006.

³ In particular, see the conclusions of the European Council of 16-17 June 2005.

⁴ On the subject, see Chapter III, Paragraph 3.

9. According to the diagnosis endorsed by the majority of observers, the country's prolonged social and productive stagnation is explained by four primary factors:

- *A lack of business innovation* in terms of processes, organisation and products. This is demonstrated by the ratio between enterprise spending on research and development and the gross national product, a figure significantly lower than the ratios of Italy's competitors (0.5 percent, against 1.4 percent in France and 1.7 percent in Germany); by a number of patents per inhabitant considerably lower than that of the other European countries; and by limited use of information and communications technologies for the optimisation of processes and the sale of products, despite the presence of what has become a significant network. The innovation gap appears to be tied less to the imbalances in the sectors and dimensions of the production structure – a predominance of small and medium-size enterprises in traditional sectors – than to an indifference to research on the part of the larger enterprises, as well as generally inadequate training of the higher management cadre, plus the lack of a “system of networks” among businesses and between enterprises and major centres of skills and expertise, along with insufficient competition within markets;
- *An inadequate average level of skills and know-how on the part of both the adult population and young people*, a situation that diminishes the capacity to find jobs, as well as the contribution of workers to the production process, and the capacity of business operators to conceptualise their production intuitions and establish a fruitful relationship with the fields of science and research. Despite significant improvements in the level of schooling among young people over the last decade, the gap in levels of education and percentage of university graduates between Italy and the other industrialised countries is still very high, while the percentage of university graduates in scientific fields is extremely modest, and the average level of skills in terms of reading, mathematics and problem-solving among fifteen-year-olds who attend school is decidedly lower than in the majority of industrialised countries.
- *An inefficient capital market*, which slows the growth of companies through the introduction of third-party capital, meaning that innovation and productivity are also slowed. Despite the reform of the financial markets and of corporate law, it continues to be extremely difficult to guarantee an adequate balance of powers and controls between owners and financiers on the one hand, and business operators and managers on the other. The reform of the banking system has not yet led to an increased capacity to establish adequate bank-business relations, thus hindering the growth of small enterprises into medium ones, and the growth of medium enterprises into large ones.
- *A permanent inability of the State to offer and promote collective services and guarantee general conditions of competition*. The quality and even the availability of many services of key importance for citizens and businesses remains insufficient, with an inadequate cost/quality ratio. This is the case with services in the energy sector (where prices are higher than in other countries and renewable sources play too small a role), in the sectors of water resources, waste management, transportation, administrative services supplied to businesses and citizens, as well as in the slow pace of the justice system. The central government also finds it difficult to implement in a clear, simple and timely manner the reforms it passes; and this is also the case when it comes to creating a competitive

framework, especially in the sector of public utilities, both local and network-based, where liberalisation does not in itself create efficiency, unless it is accompanied by an effective erosion of all monopoly positions. This competitive framework is, in turn, a necessary precondition to innovation and to an effective policy of public investment geared towards the production of collective services.

10. These underlying causes of the critical situation take on particular importance in Southern Italy, on account of various factors that aggravate each other in a reciprocal fashion: the lack of trust in the central government on the part of citizens and business enterprises; decades of accumulated public-policy errors that have resisted the renewal of recent years, on account of the vested interests they have generated; the spread and entrenchment of organised crime in four of the area's regions; and the negative perception of the entire area, which reduces its attractiveness for capital and individuals.

11. The problem of the deficit in skills and expertise, for example, is especially critical in Southern Italy. The average level of education of employed individuals is lower, the percentage of drop-outs from secondary school is higher and, more to the point, the average level of skills and know-how is much more modest. In the specific case of mathematics skills, the performance of fifteen-year-olds in Southern Italy is markedly lower than in other areas of the country, as well as the OECD average, in all categories of schools, regardless of the socio-economic conditions of the children's families and their cultural backgrounds⁵.

The inefficiency of capital markets is more pronounced in Southern Italy. The grade of credit intensity is particularly low, and relations between banks and business are weak, despite recent signs of improvement, while investment costs (all other conditions being equal) are higher.

An especially grave problem is that of the quality of collective services: the percentage of waste gathered through differentiated collection is roughly 8 percent, compared to 28 percent in the central-north regions; the average number of lengthy accidental power cuts for utility users is double the level in central and northern Italy; a far greater number of families reports malfunctions with the water supply; the court system is slower; there are fewer guarantees of legality and security.

12. The sum total of the factors slowing development, common to both areas of the country, but at different levels, stands in contrast with Italy's potential, which remains extremely high: in terms of the propensity to work, to take risks, to do business; the centres of excellence for research and the think tanks; the natural and cultural resources, preserved to a much greater extent than in other countries; a high level of urban concentration and identity; a design capacity admired throughout the world; an exceptional willingness to reform the country's institutions (as shown by the transformations of the last decade). An apt illustration of this gap is the fact that in the new global economic and technological context, a number of commentators have observed that, "Italy is being sold throughout the world" (the names of products, symbols, brands, together with profiles of Italian identity, constitute the vehicle for sales to various social classes), "but it is not Italy that is doing the selling."

⁵ For example, as is shown in chapter I (fig. 14), the percentage of 15 year-old high school students in Southern Italy capable of resolving "complex problems" is 15 per cent, as compared to 45 percent for the central-northern regions; the figures falls to 6 per cent, as compared to 32, in vocational institutes.

13. This gap between current difficulties and potential achievement generates social dissatisfaction and a low level of utilisation of the country's resources and production factors. The low rate of employment is the most noticeable sign.

This very gap shows that there is room for a regional development policy which, by involving the resources of the local territories and bringing general skills into play, manages to draw on the unutilised resources where they are concentrated, addressing the four primary obstacles to development regarding: innovation; the capital market; collective services and competition; and levels of skills and know-how.

14. An evaluation of medium- to long-term *externally-driven scenarios* generates indications that converge with the results of the analysis of the specific Italian context:

- The rapid change in worldwide economic balances has closed down certain development options, some in traumatic fashion, while opening up others; this is especially true for a country capable of exploiting new, large-scale consumer markets while reviving its capacity for innovation on the still-sturdy base of its widespread entrepreneurial structure and its noteworthy inherent potential for identification of business opportunities;
- Similar opportunities emerge with the rapid evolution of consumer preferences, but the greater proximity between academic science and consumer technology calls for courageous investment in research, in order to rebuild the damaged links between that sector and the business world;
- The demographic trend makes it necessary, if high production levels are to be sustained, to bring into the labour market a mature population that is currently inactive, constructing for these individuals highly effective training procedures while wagering without further hesitation on an immigrant population, a large part of which can draw on high levels of motivation and potential.

Evaluation of the regional policy for 2000-2006

15. An evaluation of regional policy for the period 2000-2006 makes possible an unequivocal identification of the results achieved against the objectives set, while pointing to various lessons for the future. It is worthwhile summarising this analysis, distinguishing between financial profiles, which regard the dimension and the timing of the spending, and the "real impact" profiles, which involve the quality and effectiveness of the initiatives carried out. The summary that follows regards primarily, though not exclusively, Southern Italy, both because it is here that the public financial resources of regional policy are concentrated and on account of the fact that the information mechanism constructed, as well as the sheer size of the financial flows and the initiatives, makes it possible a more accurate evaluation of the results.

Financial issues

16. At the end of the 1990s, the state of information and knowledge of financial profiles, as well as the instruments for the financial planning of regional policy, showed serious shortcomings (as described in Chapter II of the Document). Within this context, three objectives were set: reconstructing an adequate information system; ensuring the

“additional” nature, in financial terms, of regional policy in Southern Italy; restoring a balance in the composition of capital spending, from incentives to public investments.

For the purpose of achieving these objectives, initiatives were carried out and instruments were utilised, at first in 1998-1999, primarily applying EU resources, and then in 2003, with the establishment of the Fund for Under-Utilised Areas, involving national resources. The results achieved are summarised with regard to the three objectives.

17. The *progress in terms of information* appears highly significant, as demonstrated by the very fact that it is today possible to carry out an in-depth evaluation of the results achieved: quality and timeliness of the Territorial Public Accounts; monitoring of spending objectives and legal commitment of resources; possibility of assessing the capacity for financial planning of the different authorities. Additional improvements would appear necessary in the preliminary distinction between ordinary and additional spending for each individual branch of the Public Administration and in the related retrospective assessment.

18. The *additional* nature of the regional policy for Southern Italy has not yet reached the necessary level: the share of capital spending allocated for Southern Italy remains at roughly 38 percent, as compared to the objective of 45 percent. This would appear to be due to the failure to reach the objective of assigning to the South a level of ordinary spending equal to 30 percent (the average level was 26.6 per cent), together with delays in the growth of additional spending, which began to rise only when the new rules introduced under the Fund for Under-Utilised Areas began to “take hold”. The greater difficulty involved in spending for public investments, as opposed to spending for incentives, played a role in these problems. The capacity of the administrative bodies, both regional and central, accurately to plan the timing of spending, with a credible evaluation of the timescale of procedures, remains modest. Furthermore, the national planning of certain major public enterprises – and not the programmed allocations, which have always been “generous” – has had almost no connection with the territorial distribution of ordinary resources.

Within this context of unpredictable spending, tensions between development and public financing objectives have heightened. The general economic conditions, with the “continuation of the recession phase and the worsening of the conditions of public finance”, against a backdrop of marked EU constraints, have led to initiatives that have reduced the level of certainty of the financial planning process and formally resulted in November 2004, for precisely the motives indicated above, in a downward revision of the additional nature of EU funds being agreed with the European Union⁶.

19. The results on the additional status suggest that, for the period 2007-2013:

- consideration will have to be given to the financial effects (regarding spending) and real consequences of a large number of initiatives already undertaken during these years but implemented on delayed schedules;
- more effective instruments are needed to implement the guidelines for the sector of ordinary resources;
- for sectors of intervention that constitute priorities of ordinary policy (for example, networks and connections and security), the possibility of intervention on the part

⁶ See Decision of Commission C (2004), 4689 of 30 November 2004, on the occasion of the mid-term review of the 2000-2006 Community Support Framework for Objective 1.

of additional regional policy must depend on the existence of rigorous planning of ordinary spending;

- greater consistency and coordination must be sought between spending and public finance objectives.

20. As regards the *restoration of balance to capital spending from incentives to public investments*, the process is effectively underway, not only concerning the assignment of resources, but also with regard to spending. The time needed for the restoration of the balance, however, has exceeded forecasts, so that it was not until 2004 that clear signs were observed. There still remains, therefore, a paradoxical gap, especially between Southern Italy and the central and northern regions: the per capita value of public investment made each year for the production of collective services in the South remains lower than the corresponding figure for the Centre-North (496 euro per capita versus 569 – estimates for 2004); this situation contributes every year, even if the efficiency of spending in the two areas of the country is assumed to be equal, to a widening of the gap in terms of intangible and tangible infrastructures, as well as the gap in collective services. The reasons for the delay are the same as those that explain the results of the additional status, while the lessons to be learned are also similar.

“Real impact” issues

21. Chapter III of the Document describes, for each thematic area, the primary “real” results achieved by the regional policy for 2000-2006 in terms of the production of collective services and the direct promotion of business enterprises. A distinction is made below, when appropriate, between the results for the regions of Southern Italy and those for the Centre-North.

22. The modernisation of the intervention of the central and regional governments, together with the building of capabilities and expertise, constituted an intermediate objective of EU policy in all the regions of the country, playing a priority role in Southern Italy, precisely on account of the diagnosis that identifies the specific weakness of the central government and its relations with citizens and businesses as the chief factor aggravating the country’s difficulties in this area. Seen in this light, the results generally appear to be quite close to the objectives:

- Financial efficiency has markedly increased, both for EU funds, where the loss of resources has been stopped, and, since 2003, for national regional funds;
- Management capacity has grown in all the administrative bodies, thanks to the operational effectiveness of the mechanisms of internal management control, the opening up of the structures to qualified professional resources and the reinforcement of planning and evaluation structures: the results have been reached both through the use of rigorous award systems anchored to measurable or qualifiable objectives, and through accompanying actions. There remain, however, significant bottlenecks in the availability of, and capacity for acquiring, adequate human resources;
- Even within a context of marked uncertainty due to the change in the constitutional framework, there has been noteworthy *cooperation between the central and regional governments*, thanks to innovative “contractual methods”, and with the support of incentive mechanisms. Horizontal cooperation between

regional governments, as well as the relationship between the regional and local governments, has appeared to be better than in the past, in a context of delayed administrative decentralisation;

- A new economic and social partnership has arisen, including the regional level; the results it has generated have been decidedly better during the planning phase than in the phases of implementation.

23. In more general terms, and with specific reference to Southern Italy, in almost all regions the implementation of the new regional policy has created a system of incentives that has tended to overturn, or at least radically alter, the operating characteristics of the regional governments, in areas such as the management of public investments. This process does not appear to be irreversible. Only the achievement of noteworthy final results in terms of the quality of services can reinforce it, chipping away at the old practices under which resources were managed. Here lies the weak point of the policy implemented.

24. Looking again at Southern Italy in the light of the intermediate results obtained, the final results tend to fall short of objectives. This is true of both the growth rate (higher than in the central and northern regions, but lower, as seen earlier, than the European average) and the quality of services. The evaluation analysis contained in Chapter III shows that, in the different sectors, the quality of services has improved in Southern Italy following the initiatives carried out, and the objectives set have moved closer: this is the case with education, with respect to school drop-out rates; with certain “environmental services”; with the capacity for attracting tourism; with the quality of the urban environment; with employment services and consolidated support centres for production activities. But the results achieved generally appear to fall short of the objectives, meaning that the quality of services remains at the inadequate levels referred to earlier:

- The quality of the initiatives is still inadequate, preventing capital spending from leading to an effective improvement in the services utilised by citizens and businesses. The insufficient concentration of priorities established at the start of the Programme, the difficulties in bringing to the fore, on the local level, the most innovative projects and coalitions of protagonists; the “lack of cultural and political mobilisation” behind the objectives of the service – which should be obtained using intermediate objectives that result in rewards and penalties – and the failure to draw on inter-regional planning and cooperation would appear to be the main causes for the shortfall in quality;
- An inadequate bank-business relationship, together with intermittent incentive performance: these two factors have contributed to depriving businesses of certain financial resources that could have been used to take advantage of the development opportunities created by the new policy;
- An underestimation of the time needed to achieve the objectives. In particular, the initial underestimation of the level of backwardness and inefficiency of the branches of the Public Administration involved in the policy for Southern Italy made it appear that the intermediate objectives could be achieved earlier than occurred, and, even more crucially, that this would rapidly have an effect on the capacity for selecting projects and, therefore, on their effectiveness.

25. As far as the Centre-North is concerned, the judgment that emerges from the analysis found in Chapter III is not dissimilar – apart from the radical differences in the conditions representing the starting points – both as regards the good results with the intermediate objectives and in terms of the problems encountered in achieving the final goals.

More specifically, when it comes to the process of administrative modernisation, the planning of EU resources in the Centre-North has favoured a concentration of technical capabilities, a dissemination of evaluation methods and a marked improvement in the methods used to plan, design and manage initiatives. It has also promoted numerous experiences of integrated planning, highly differentiated in terms of the procedures of construction and implementation, involving the various regional governments. The planning of the Fund for Under-Utilised Areas has definitely promoted cooperation with the central government, and improvement in the methods of financial planning.

As regards the final results, the experience tied to Objective 2 (Centre-North), in part because of the fragmentation of the areas of intervention (the inevitable result of a now-questionable decision at the European level) on account of the limited resources available, shows that they were influenced to a great extent by the conditions under which the initiatives were undertaken. In the programmes which focus on human resources (Objective 3), despite the diversity of the experiences, a higher level of attention to the specific characteristics of the users and to the need for instruction was achieved, together with noteworthy progress in terms of employment services, both on account of the existing capacity to take advantage of the novel features of the planning structure, and as a result of the forces mobilised following the process of devolving planning and implementation functions to the provinces. New intervention tools were made available, while the evaluation analyses conducted pointed to a progressive diversification of the initiatives. Difficulties persist in terms of the involvement of the professional skills and know-how acquired during the training procedures and activities.

26. The sum total of the evaluations referred to herein illustrates, for the country as a whole, both the elements of *continuity* and those of *discontinuity* for the regional policy for 2007-2013. They also make it possible to formulate, albeit on a preliminary basis, a number of suggestions regarding the *priorities* that the policy should focus on.

Continuity

27. The analysis carried out points to three elements of continuity for the period 2007-2013, as compared to the current period:

1. Regional policy, at both the EU and national levels, is aimed, throughout the country, at objectives of productivity, competitive strength and innovation, accompanied by a marked focus on social inclusion (a factor that not only reduces social tensions, but also represents an undeniable source of renovation and innovation, meaning that it promotes the utilisation of the country's potential) and on the quality of life and the environment (key components of the country's potential for development);
2. The most effective approach to pursuing these objectives, therefore, is to produce and promote everywhere collective services which, by raising the quality of life, work and business activities, attract individuals and capital while integrating these initiatives with focused incentives;

3. Southern Italy presents such a high level of under-utilised development potential and has so many critical problems in common (regarding the role and capacity of the central government, as well as its relationship with the private sector), that it would be best, not only to ensure that a portion of the general initiative is similar to that of the previous cycle of planning, but also to establish an appropriate form of strategic unity, such as the “Guidelines” approved by the State-Regions Unified Conference on 3rd February 2005 and formalised in the forecast of a *Strategic Document for Southern Italy*.

Discontinuity

28. At the same time, it is precisely the experience of 2000-2006 that points to the need for the introduction into regional political action of a number of significant points of methodological discontinuity, in order to remove the obstacles encountered to date. The most noteworthy and general examples can be summarised as follows:

- a) The *priorities* should be identified with greater courage than in the past for the programmes of the implementing administrative bodies, along the lines that the National Strategic Framework will indicate; in particular, as shown by the indications contained in Chapter IV, multi-regional projects of significant impact may take on a major role, especially in Southern Italy, but the selection of priorities throughout the country will be possible, and, even more importantly, may be safeguarded within the process of implementation, only if it is supported in all the areas of the country, both through a *bolder distribution of the decision-making process* and thanks to a *stronger culture of evaluation* and a higher level of activation of the *economic and social partnership*, as well as joint efforts with the representatives of other widespread interests, through the methods and instruments proposed by Chapter V;
- b) The *central position of the quality of services* as the goal of regional policy must be indicated and safeguarded, at least in Southern Italy, through identification of a national strategic framework for a very limited group of essential services, with respect to which *service objectives* shall be set, to be managed under incentive mechanisms and reached by the implementing administrative bodies; this and similar initiatives are needed to favour a broadly-supported and consensual rebalancing of regional policy from incentives to public investments, a process that has been initiated, though at too slow a pace, in recent years;
- c) The *banking system*, which remains the fulcrum of capital markets in Italy, must be strategically and operationally involved in regional policy, above and beyond the new role it is invited to play in reforming incentives;
- d) The *unification of the two funding components* of regional policy, EU and national (Fund for Under-Utilised Areas) funds, which has already been decided on in the “Guidelines”, must be fully implemented in both the general plan (that is, in the National Strategic Framework) and in the central and regional operational action plans, as well as in the unification of responsibilities for implementation at all levels of government;
- e) The *integration* by the central and regional administrative bodies *of the regional policy within ordinary policy* must be pursued, as a guarantee of the additional

nature, in terms of financing of regional policy, as well as of its effectiveness; this is also a precondition for ensuring that, in “high level” discussions of economic policy, regional policy is no longer perceived as a subsidiary system of “subsidies” for areas in difficulty, but rather an instrument that can really help to renew and transform sector policies that are often antiquated or ineffective, on account of its territorial scope, the clarity of the objectives, the rigour of the method and the participatory nature of the design and implementation processes;

- f) Given a national regulatory framework that remains (and will presumably continue to remain) less than clear in many sectors, *the institutional understandings and framework planning agreements between the central and regional governments*, as well as between the regional and local governments, *must be both simplified and confirmed in their role as an safeguarding of the key initiatives of the programmes*, activities that absolutely require the alignment of different aims. Possible reform strategies are also presented in Chapter V;
- g) *Financial planning must be reinforced*, especially to ensure the effective additional nature of the regional spending referred to under the constitution; in addition to completing the improvements of the information framework undertaken in 2000-2006, it will also be necessary, as shown by the analysis in Chapter II: to formulate a *more effective control of territorial destination* for ordinary capital spending (30 percent to Southern Italy) to provide a seven-year period of certainty regarding the resources of the national regional policy; to *improve the capacity for forecasting spending* on the part of the implementing administrative bodies; and at the same time *to isolate regional policy from the effects of emergency initiatives regarding public finances*. Under these conditions, an attempt can be made to close the gap that remains between the project cycle and the financing cycle.

29. These points of discontinuity affect regional policy for the entire country. In Southern Italy they must be resolved if the barriers that have faced the new policy are to be overcome.

Priorities

30. In Chapter IV, the Document identifies a number of principles and guidelines that emerged from the experience of 2000-2006 (Chapter III), the trends identified (Chapter I) and the reflections made during these months. This makes it possible to identify a number of general priorities which, through a comparison with the regional strategic documents and the strategic document for Southern Italy, can be rendered more precise, while taking into account the very different needs of the regions, even within the two macro-areas of the country.

Specifically, three general intervention streams emerge. The first contains four priorities that affect the entire country. The second addresses two priorities which are of central importance for Southern Italy, but which also play a complementary and supporting role in the revival of national policy. The third axis includes three territorial priorities that are interrelated and indispensable, with respect to the entire country, for the success of the programme.

31. *An initial intervention stream* regards four priorities of key importance for all the areas of the country to which regional policy must make a major contribution: research

and innovation, human capital, the environment, modernisation of the markets and public institutions. In greater detail:

- The promotion of research and innovation is a priority concern, for many reasons. First, because this is where the country's most obvious shortfall is found, compared to the demands of the international economic and technological situation; then because this is the area where intervention is most profitable (considering, among other things, the potential which exists in many parts of Southern Italy); and finally because it is possible to take advantage of the numerous changes underway (recovery of comparative advantages) as well as of the many points of excellence and the significant funds already invested and waiting to be put to use. The key points of this line of intervention, as indicated in the Document, are meritocracy, selectivity/evaluation, and a strong link between research and innovation on the one hand and education and training on the other. As specifically regards business enterprises, a distinction will have to be made between the three types of intervention: the training of workers and businessmen in order to enable them to innovate; support focused on an organisational renewal that takes full advantage of the information society; mediation between research and businesses using private or public professional figures assigned full-time to the task.
- This action would prove ineffective without an intensive intervention regarding human capital, for the purpose of rapidly promoting a generally high level of capability, so as to facilitate the development of an advanced language shared between businessmen, bureaucrats, workers, technicians, craftsmen, farmers and consumers: this would be necessary in a society which has moved on from the assembly-line (that is, a society characterised by complex reciprocal relations and marked interdependence between the phases and factors of the production process); to develop the ideas for mature and well-expressed debate to enable feedback between the different professional levels in the workplace, as well as the transmission of assignments and information ("forwards" and "backwards") along the distribution chain. All this involves further increasing the population of university students and secondary-school students in all types of schools, while confronting the particularly grave "incompetence" of fifteen-year-olds in everything from mathematics to literature which is found especially in the southern part of the country. But steps must also be taken to revive a effective process of ongoing training for adults and immigrants, to reduce social exclusion and provide key skills, while broadening participation in the labour market and supporting GNP growth. The Document presents proposals for discussion regarding these different considerations.
- An intervention regarding the environment represents much more than a worthy prerequisite of all the area's EU and international regional policy obligations; the natural environment and cultural heritage of the area must be given top priority. For many reasons, investments in natural and cultural heritage can produce extremely important results when it comes to increasing competitive capacity, making them a key priority in the new cycle of planning. These reasons include the country's geographical configuration, the combination of the relatively good state of preservation of its natural and cultural heritage with the high risks faced by that heritage, the emphasis placed by Italians on the quality of life (on the countryside, the air, the sea, the food, tradition), as well as the attraction which this lifestyle holds for the rest of the world, the persistent strength and the

resilience shown by many areas of the agricultural sector, the economic benefits that can result, thanks to tourism and high-quality food industries, the high concentration of this heritage in Southern Italy, the significant prospects for research and innovation presented by the sectors and the production areas which they can stimulate (such as recycling of waste or the utilisation of archaeological sites, renewable energy or the reduction of energy consumption, as well as in the area of design), and the partial results already achieved (including those whose benefits have not yet become visible) under the plan already implemented. To this end, the objectives of the activities and effective instruments for their implementation must be suitably identified and quantified, and the Document makes proposals along these lines.

- None of the objectives so far discussed, nor any of those which will be discussed later, can be achieved unless there is adequate impetus to complete the process begun – in terms not of the rules and regulations, but of their implementation – of modernisation of the markets and of the Public Administration. On the one hand, the administrative branches responsible for overseeing both large-scale and local public services – of decisive importance in terms of the effectiveness of regional policy – must carry out regulatory activities in an unequivocal, continuous and effective manner, guaranteeing genuine competition, while the Public Administration as a whole must take on the task of completing the process of institutional enhancement, especially through the acquisition of a higher level of skills and expertise. At the same time, there is both an opportunity and a need for the configuration of a strategy involving a direct promotional and incentive policy, which, by supplementing the policy of enhancement of services, and in keeping with a clear vision of the comparative advantages of our system within the scenarios outlined, emphasises the “horizontal” objectives of innovation, research, the environment and social inclusion, through an approach that also focuses on business systems, while favouring an increased commitment on the part of the banking system in support of growth, reinforcing the new strategy for the implementation of foreign investments and accompanying the integrated territorial planning activities and the processes under which the national system is open to international players. Here too the Document provides working proposals.

32. *A second intervention stream regards two priorities that are indispensable for Southern Italy, being necessary to any significant advance in its development, though their implementation must be assigned primarily to ordinary national policy, with additional regional policy being used to reinforce the impact, but certainly not to take its place. These priorities are security and social inclusion, and infrastructure and logistics networks.*

- Social inclusion is an especially important priority of national policy in Southern Italy, where the situation still presents critical problems (even when the “monetary poverty” indicator is replaced with a measurement of access to essential services), and illicit, unregistered employment is very high. The reduction of social disadvantage and exclusion, together with the promotion of equal treatment, can receive key contributions from the four priorities indicated above, especially when these are approached with an eye on the objective of inclusion, though it is also indispensable that there is a related national initiative to support the regional policy. This is all the more evident in the case of security. In the four regions of Southern Italy where organised crime plays a widespread and deep-rooted role, polluting a significant share of public activities (when it is not actively taking part

in them), incisive national policy initiatives on security represent an underlying condition of good government. Again, regional policy cannot replace such initiatives, but only work alongside them, accompanying the initiatives with a widespread propagation of the culture of legality in all the sectors of intervention, and with plans which call for focused, supplementary initiatives with specific territorial goals.

- The completion of logistical networks and nodes, in keeping with the environmental and tourism strengths of Southern Italy (more railways, more sea and air transport), and with the opportunity for connections to major routes in the Mediterranean and the Balkans, is a necessary precondition to a significant advance by the area. It can only be satisfied if a national plan is drawn up, involving the concerted action of central and regional governments, establishing priorities, credible scheduling, monitoring systems and a territorial connection for initiatives. If these conditions are satisfied, then regional policy may appropriately add its financing to the national policy initiatives.

33. However, the approach outlined up to this point is still not complete. It must be expanded and integrated *in all the areas of the country*, as well as with the *third intervention stream*, which regards the three territorial dimensions of public initiatives: cities, production systems and rural areas.

The sum total of the initiatives that can be carried out under regional policy with regard to the four priorities of the first axis of intervention, and especially as regards Southern Italy, in support of the ordinary policies of the second axis, must be activated and integrated through *highly effective planning and territorial project formulation: cities, production systems and rural areas* are the focal points, in part overlapping, but presenting their own identity, in some cases strong, in others weak, wherever such territorial action takes place; for each of these focal points the document identifies the elements of continuity and discontinuity towards which the work should be oriented.

In general, the true nature and the territorial implementation of regional, EU and national policies must be revived by:

- ensuing close integration between the different planning scales, from the local to the regional or interregional up to the national and international levels;
- opening up the local level to contributions from external centres of high-level skills: universities, banks, managers of utilities and mediators of international tourist flows;
- ensuring increased and more effective mobilisation of partnerships and of leading local actors around objectives that can be monitored.

In Southern Italy, in particular, *cities* play a central role, in ways determined by their size, in the implementation of these guidelines. The Document specifically indicates as priority efforts initiatives that support the positioning of cities among suppliers of excellent services, ensuring a “social optimisation” of urban spaces through appropriate services for all segments of the population, thus making possible the connection of cities to effective national and regional infrastructure networks.

34. Within this context, the *territorial cooperation* called for under EU regional policy takes on considerable importance. It must become a driving factor of local territorial planning, expanding and showcasing the experiences cultivated through cross-border cooperation, while offering a practical testing ground for the challenges of globalisation

and competitive capacity, linking the decisions made on this level to strategies for opening up Italy and its southern regions, especially in the Mediterranean and the Balkans. The size and quality of international partnerships are crucial in taking on these challenges, both as regards EU candidate countries and Italy's neighbours, and with respect to large emerging markets. The Document offers considerations in this respect while indicating the prerequisites: the implementation of projects on a larger scale, geared towards the effective production of services for citizens and enterprises; greater involvement of businesses than in the past; the establishment of objectives, together with highly effective evaluation procedures, in this field; and reinforcement of the contributions of national and international advanced centres of skills and know-how.

The full text, in Italian, of the Preliminary National Strategic Document 2007-2013 can be downloaded from the web site of the Department for Development and Cohesion Policies (www.dps.tesoro.it/QSN/qsn.asp).