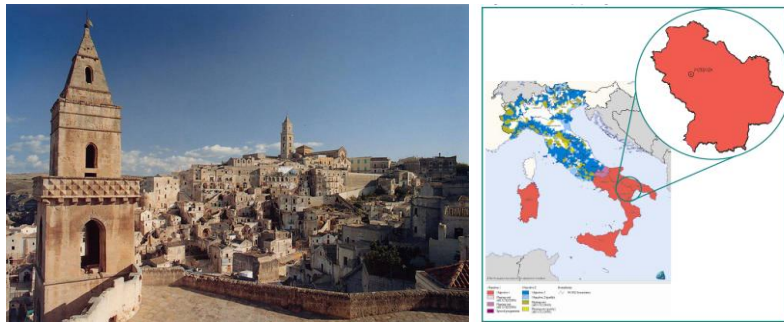




**EVALUATION OF THE MAIN ACHIEVEMENTS OF COHESION  
POLICY PROGRAMMES AND PROJECTS OVER THE LONGER TERM  
IN 15 SELECTED REGIONS  
(FROM 1989-1993 PROGRAMMING PERIOD TO THE PRESENT)**

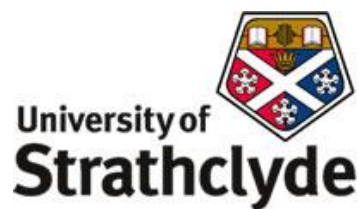
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**CASE STUDY BASILICATA**

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**31 May 2013**



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## PREFACE

This report presents the Case Study for Basilicata as part of the study 'Evaluation of the Main Achievements of Cohesion Policy Programmes over the Longer Term in 15 Selected Regions (from 1989-1993 programming period to the present)' which is being managed by the European Policies Research Centre and London School of Economics.

The research was mainly conducted over the period December 2011 to May 2012, and supplemented with additional material over the following months.

The Case Study has been drafted by Dr Simona Milio and Ms Laura Todaro, LSE. The authors are grateful to a considerable number of individuals in the Basilicata and national government bodies who participated in the study and provided valuable insights as well as assistance in tracking down other interviewees.



## Contents

<b>EXECUTIVE SUMMARY .....</b>	<b>1</b>
<b>1. INTRODUCTION .....</b>	<b>5</b>
1.1 Overview of ERDF interventions .....	7
1.2 Outline of this report .....	9
<b>2. REGIONAL CONTEXT AND ANALYSIS OF NEEDS .....</b>	<b>11</b>
<b>3. PROGRAMME EVOLUTION AND RELEVANCE.....</b>	<b>19</b>
3.1 Explicit and implicit strategies and their evolution .....	19
3.1.1 <i>The introduction of programming: 1989-93</i> .....	20
3.1.2 <i>Investing in infrastructure: 1994-99</i> .....	22
3.1.3 <i>From hard to soft interventions: 2000-06</i> .....	24
3.1.4 <i>Innovation and SMEs: 2007-2013</i> .....	26
3.2 Relevance of programmes to regional needs.....	27
3.3 Implementation factors that influenced programme strategies .....	31
<b>4. EXPENDITURE ANALYSIS .....</b>	<b>33</b>
4.1 Financial allocations and expenditure .....	33
4.1.1 <i>Financial allocations and expenditure at regional level by programme period 1989-2013</i> .....	33
4.1.2 <i>Evolution of expenditure by projects and programming periods at regional level</i> 38	38
4.2 Expenditure compared with allocations.....	39
4.2.1 <i>Analysis of allocations and expenditure by thematic axes across regional programmes</i> .....	40
4.2.2 <i>Analysis of expenditure by thematic axes across national ERDF programmes</i> ...	41
4.3 Conclusion .....	43
<b>5. ACHIEVEMENTS ANALYSIS .....</b>	<b>47</b>
5.1 Reported and actual achievements .....	47
5.1.1 <i>Programme-level achievements</i> .....	47
5.1.2 <i>Analysis by theme</i> .....	56
5.2 Complementarities and synergies .....	67
5.2.1 <i>Complementarities and synergies within Structural Funds and other EU co-funded policies</i> .....	67
5.2.2 <i>Complementarities and synergies with domestic regional programmes, plans and national interventions</i> .....	68
<b>6. ASSESSMENT OF ACHIEVEMENTS AGAINST OBJECTIVES AND NEEDS (EFFECTIVENESS AND UTILITY) .....</b>	<b>71</b>
6.1 Overall contribution of ERDF programmes to regional development measured against programme objectives (effectiveness).....	71
6.2 Overall contribution of ERDF programmes to regional development compared to regional needs and problems (utility).....	76
6.3 Key elements of success and failure .....	81
6.3.1 <i>Good practices</i> .....	81
6.3.2 <i>Bad practices</i> .....	82
<b>7. CONCLUSIONS.....</b>	<b>85</b>
7.1 EQ1: To what extent did the programmes address regional needs and problems over time?.....	85

7.2	EQ2: To what extent do ERDF achievements meet regional objectives and needs in each programming period and across all periods) .....	91
7.4	EQ3: <i>What are the main lessons learnt on the effectiveness and utility of ERDF interventions?)</i> .....	96
<b>8.</b>	<b>ANNEX I - ANALYSIS OF PROJECT SAMPLES .....</b>	<b>103</b>
8.1	Sviluppo Basilicata (Basilicata Development) .....	103
8.1.1	<i>Summary description</i> .....	103
8.1.2	<i>Underlying problem and context</i> .....	105
8.1.3	<i>Detailed description</i> .....	105
8.1.4	<i>Outputs and achievements</i> .....	106
8.1.5	<i>Value-added</i> .....	106
8.1.6	<i>Management and monitoring issues</i> .....	107
8.1.7	<i>Conclusions</i> .....	107
8.2	Un Computer in ogni casa (A PC in every home).....	107
8.2.1	<i>Summary description</i> .....	107
8.2.2	<i>Underlying problem and context</i> .....	108
8.2.3	<i>Detailed description</i> .....	108
8.2.4	<i>Outputs and achievements</i> .....	109
8.2.5	<i>Value-added</i> .....	109
8.2.6	<i>Management and monitoring issues</i> .....	109
8.2.7	<i>Conclusions</i> .....	109
8.3	Basilicata Innovazione (Basilicata Innovation) .....	110
8.3.1	<i>Summary description</i> .....	110
8.3.2	<i>Underlying problem and context</i> .....	110
8.3.3	<i>Detailed description</i> .....	111
8.3.4	<i>Outputs and achievements</i> .....	111
8.3.5	<i>Value-added</i> .....	112
8.3.6	<i>Management and monitoring issues</i> .....	112
8.3.7	<i>Conclusions</i> .....	112
<b>9.</b>	<b>ANNEX II - STRUCTURE OF BASILICATA PROGRAMMES 1989-2013 .....</b>	<b>115</b>
<b>10.</b>	<b>ANNEX III: LIST OF INTERVIEWEES.....</b>	<b>121</b>
<b>11.</b>	<b>ANNEX IV - OVERVIEW OF SOURCES USED FOR THE CASE STUDY .....</b>	<b>123</b>
<b>12.</b>	<b>ANNEX V: REFERENCES .....</b>	<b>125</b>

## List of Figures

Figure 1: Map of Basilicata.....	5
Figure 2: Structure of the Basilicata economy, shares of gross value added .....	6
Figure 3: Structure of the Basilicata economy, shares of employment.....	7
Figure 4: Unemployment rate in Basilicata and Italy relative to 1985 levels.....	12
Figure 5: Basilicata's GDP growth relative to Italy and neighbouring regions, 1996=100 ....	12
Figure 6: Activity rate in Basilicata and Italy relative to 1995 levels.....	13
Figure 7: Evolution of annualized expenditure, 1994-2013 .....	38
Figure 8: Allocations and expenditure by thematic axes across regional programmes (expressed as percentages).....	41
Figure 9: Expenditure by thematic axes across national programmes in Basilicata (expressed as percentages) .....	43
Figure 10: Expenditure by thematic axes across programming periods for both regional and national ERDF programmes (expressed as percentages) .....	44

## List of Tables

Table 1: Priorities for the Basilicata regional programmes 1989-2013 .....	19
Table 2: Comparison of regional needs and programme responses .....	28
Table 3: Needs and imputed objectives for eight thematic axes .....	30
Table 4: Regional programme funding allocations (€ mill, 2000 prices) in Basilicata, 1989-2013.....	34
Table 5: Distribution of expenditure by projects and programme periods (constant 2000 prices, € millions, ROP only) .....	39
Table 6: Outcomes by thematic axis for programme period 1989-93 (no baseline available) .....	48
Table 7: Outputs by thematic axis for the regional programme, 1994-99 (Quantified targets were not set for some interventions) .....	50
Table 8: Outputs by thematic axis for the regional programme, 2000-06 (Quantified targets were not set for some interventions) .....	53
Table 9: Outputs by thematic axis for the regional programme, 2000-06 (Quantified targets were not set for some interventions) .....	53
Table 10: Outputs by thematic axis for the regional programme, 2007-13 .....	55
Table 11: Programme objectives and targets for Basilicata regional programmes 1989-2013 and reported achievements .....	72
Table 12: Achievements compared with imputed objectives for eight thematic axes .....	76
Table 13: Needs and achievements for eight thematic axes .....	79
Table 14: SB's organisational changes and main activities with respect to ERDF and national funding .....	103



## List of Abbreviations

ADSL	Asymmetric Digital Subscriber Line
AIR	Annual Implementation Report
ANAS	<i>Azienda Nazionale Autonoma delle Strade</i> (National Corporation for Roads)
APQ	<i>Accordi di Programma Quadro</i> (Framework Programme Agreements)
ASI	<i>Aree di Sviluppo Industriale</i> (Area of Industrial Development)
ATAS	<i>Assistenza Tecnica e Azioni di Sistema</i> (Technical Assistance and System Actions)
BI	<i>Basilicata Innovazione</i> (Basilicata Innovation)
BIC	Business Innovation Centre of European Communities
CAP	Common Agricultural Policy
CEII	<i>Centro Europeo di Impresa e Innovazione</i> (European Enterprise Innovation Centre)
CICO	<i>Comitato Interdipartimentale di Coordinamento Organizzativo</i> (Interdepartmental Committee for Management Coordination)
CIPE	<i>Comitato Interministeriale per la Programmazione Economica</i> (Inter-ministerial Committee for Economic Planning)
CNR	<i>Consiglio Nazionale delle Ricerche</i> (National Research Committee)
CSF	Community Support Framework
CTI	<i>Commissione Tecnica Interdipartimentale</i> (Interdepartmental Technical Commission)
D.lgs.	<i>Decreto Legislativo</i> (Legislative decree)
DPS	<i>Dipartimento per lo Sviluppo e la Coesione Economica</i> (Department for Economic Development and Cohesion)
EAFRD	European Agricultural Fund for Rural Development
EAGGF	European Agricultural Guidance and Guarantee Fund
EC	European Commission
ECU	European Currency Unit
ENAC	<i>Ente Nazionale Aviazione Civile</i> (National Aviation Corporation)
ENEA	<i>Agenzia Nazionale per le Nuove Tecnologie, l'Energia e lo sviluppo economico sostenibile</i> (National Agency for New Technology, Energy and Sustainable Economic Development)
ENI	<i>Ente Nazionale Idrocarburi</i> (National Hydrocarbon Corporation)
ERDF	European Regional Development Fund
ESF	European Social Fund
EU	European Union
FAS	<i>Fondo per le Aree Sottoutilizzate</i> (Funds for Under-utilised Areas)
FDI	Foreign Direct Investment
FIFG	Financial Instrument for Fisheries Guidance
FS	<i>Ferrovie dello Stato - Trenitalia</i> (National Rail Company)
GAL	<i>Gruppo di Azione Locale</i> (Local Action Group)
GDP	Gross Domestic Product
ICT	Information Communication Technologies
IGRUE	<i>Ispettorato Generale per i Rapporti Finanziari con l'Unione Europea</i> (National Accounting Department)
IMP	Integrated Mediterranean Programme
INFOSOC	Information Society (project)
JSC	Joint Stock Company
LR	<i>Legge Regionale</i> (Regional Law)
Ltd	Limited (Company)
MA	Managing Authority
Meuro	Million Euros
MLG	Multi-Level Governance
MOP	Multi-regional Operational Programmes
NOP	National Operational Programme
NRVVIP	<i>Nucleo Regionale di Valutazione e Verifica degli Investimenti Pubblici</i> (Regional Evaluation Unit of Public Investment)
OP	Operational Programme

NOGs	Non-Governmental Organisations
PA	Public Administration
PC	Programme Complement
PIEAR	<i>Piano Indirizzo Energetico Ambientale Regionale</i> (Regional Energy and Environmental Plan)
PIOT	<i>Pacchetti Integratri di Offerta Turistica</i> (Integrated Tourism Offer)
PIP	<i>Piani Insediamento Produttivo</i> (Artisanal Districts)
PISU Project)	<i>Progetto Integrato di Sviluppo Urbano</i> (Integrated Urban Development Project)
PISUS	<i>Piani Integrati di Sviluppo Urbano Sostenibile</i> (Integrated Sustainable Urban Development Plans)
PIT	<i>Progetti Integrati Territoriali</i> (Integrated Territorial Projects)
POIS	<i>Piani di Offerta Integrata di Servizi</i> (Integrated Social Services Plans)
POP	Plurifond Operational Programme
PSRSI	<i>Piano Strategico Regionale per la Societa' dell'Informazione</i> (Regional Strategic Plan for the Information Society)
RDP	Regional Development Plan
R&D	Research and Development
ROP	Regional Operational Programme
SB	<i>Sviluppo Basilicata</i> (Basilicata Development - territorial agency)
SFs	Structural Funds
SIRFO	<i>Sistema Informativo della Formazione e dell'Orientamento</i> (Information System for Educational and Vocational Training)
SMEs	Small and Medium-sized Enterprises
SPRINT	<i>Sportello Regionale per l'Internazionalizzazione di Impresa</i> (Regional Office for the Internationalisation of Business)
TEN-T	Trans-European Network Transport
UMTS	Universal Mobile Telecommunications System

## EXECUTIVE SUMMARY

In the 1980s, Basilicata was one of the least prosperous regions in the EU, lagging behind all its Italian peers, with a GDP per head (PPS) of just over 63 percent of the national average (and 63.4 percent of the EU15 average). It was still recovering from the severe earthquake that struck the North of the region in 1980. Today, as a result of support from successive ERDF programmes, together with Italian domestic policy interventions, the region has been extensively transformed, with the result that many of the pressing needs of the region in the late 1980s have been addressed. However, the economic crisis of the last few years has shown that the region remains vulnerable and that some of the achievements of Cohesion policy are fragile.

### *Needs*

As part of the historically underdeveloped south of Italy, Basilicata faced particular structural challenges due to its geological instability, mountainous terrain and peripherality, and a relatively small population dispersed over many small towns and villages. The region had poor transport connections to the rest of Italy and abroad, was deficient in basic public services infrastructure, and lacked urban or industrial agglomerations. It had the highest proportion of employment in agriculture among Italian regions and a relatively under-developed service sector, while the employment rate was one of the lowest in the country, especially among women. The unemployment rate was almost 19 percent, and educational attainment was below the national average. Basilicata had suffered from out-migration since the 19th century, with periods of major population decline.

The region's own diagnosis of its economic development problems was that it was heavily dependent on external subsidies, had major deficiencies in entrepreneurship and the skills necessary for sustainable industrial development, and was not exploiting its natural and cultural assets. While many of these needs were attenuated during the 1990s as the stock of physical capital was built-up, Basilicata's economic development continued to be held up at the turn of the millennium by weaknesses in entrepreneurial culture and deficiencies in SME development. These were characterised by low rates of new firm formation and of innovation. The region's undoubted natural and cultural assets also required further enhancement, and there were needs for better spatial balance and for greater social cohesion. Despite previous investments, external transport connectivity continues to be a problem.

### *Development strategy and its implementation*

Throughout the period of transformation beginning in the late 1980s, Basilicata had a development strategy with four core aims: connectivity, referring to improvements in accessibility, transport and basic service infrastructure; productive investment, mainly in the form of support for SMEs; enhancement of the cultural and natural resources associated with tourism; and investment in human capital. These four themes progressively became fundamental components of an intervention policy which sought to 'unify the territory'

internally as well as connecting it to other regions. Social and quality of life aims were implicit in the strategy.

Basilicata received substantial amounts of ERDF funding, especially in the 1994-99 and 2000-06 programming periods when it peaked at over 2% of GDP, the bulk of it channelled through regional operational programmes. Indeed, in the CSF for 1994-99, it received a disproportionate share of the regional funding for all Italian regions, some three times the level that would have been expected on the basis of its population, partly to 'compensate' for receiving a relatively small share of funds from multi-regional ERDF programmes. Funding from domestic policy was substantial but less consistent, although domestic support was critical in the 1990s in attracting major inward investments.

Since 1989, the balance of policy intervention has shifted from one that largely favoured physical investments (in the 1990s) towards a greater emphasis in the last decade on softer measures aimed, notably, at improving enterprise and innovation, while also enhancing the region's cultural and natural assets. The change in the intervention logic arose because of a combination of top-down pressures from the Lisbon agenda and the sense that there were less pressing needs for further enhancement of physical capital. In the 2000-06 and 2007-13 periods, the share of spending in the regional OPs on physical capital fell relative to spending on business support, the environment, community development and support services for ICT.

The mix of investment among the eight thematic priorities has evolved across programming periods. Although spending on fostering enterprise has always been prominent, it is noteworthy that during the 1990s, a sizeable proportion of the spending in the areas of enterprise and innovation was on physical capital, such as to improve access to networks for firms or to construct research facilities. There was a distinct shift in this regard during the 2000-06 period, towards support for business networks, internationalisation and the provision of services to enterprises. Expenditure on sustainable development became more significant in the current period. Spending on the tourism sector, similarly, evolved to become more orientated towards marketing and promotion, having favoured physical investments in earlier periods.

Basilicata made systematic efforts to take advantage of synergies between the Structural Funds in both the formulation and implementation of the first two programming periods and to some extent during 2000-06, but had mixed experiences. Careful planning of interventions in agriculture avoided overlaps, but there was more difficulty in integrating ERDF and ESF actions because they were undertaken by separate departments in the regional administration. Reversion to mono-fund programming in the current period, has seen a lessening of coherence. The evidence suggests that assuring synergies between ERDF spending and domestic policy programmes was more difficult throughout the period.

#### *Principal achievements*

Unsurprisingly, the record of ERDF achievements in Basilicata was mixed. There has been considerable success in overcoming deficiencies in infrastructure for basic public services, such as water supply and sewage treatment, and transport connections inside the region

were also greatly improved. Much has been achieved in promoting social cohesion and in developing the region's cultural assets, as well as in raising environmental standards. GDP per head has increased relative to other Mezzogiorno regions and the unemployment rate had been substantially reduced prior to the onset of the crisis.

The regional operational programmes played a substantial role in these changes, although it is also important to recognise the influence of Italian national investment, especially in attracting major private investors such as Fiat during the 1990s. In addition, Basilicata had a regional development plan and a pipeline of projects which facilitated the implementation of the strategy rapidly during the 1990s. Subsequently, the region has consistently benefited from re-allocations of funding inside the Italian CSF, in contrast to neighbouring regions.

However, Basilicata's external transport connections remain unsatisfactory, with its second city (Matera) still not connected to the national rail network, despite long-standing plans to do so. In part, this is because multi-regional and national operational programmes were orientated towards national transport corridors which did not directly include Basilicata, although there were also specific problems associated with the management of contracts. Despite these shortcomings, there has been considerable progress towards opening-up and modernising the agri-food sector, and in stimulating tourism.

Policy interventions were unable to broaden the economic and entrepreneurial fabric due to the excessively conservative nature of the industrial sector, the limited inclination to invest in non-traditional sectors, the inadequacy of the financing system, and the fact that the programmes were too focused on the agricultural sector. In addition, political decision-makers prioritised assistance for micro-businesses and small firms over investment in strategic sectors, especially during economic downturns, and were sometimes overly influenced by vested interests.

The region is still under-represented in high-added value industrial sectors and the knowledge industries, and the current economic crisis has again led young workers with good qualifications to leave to look for employment opportunities elsewhere. Efforts to boost SMEs and to foster innovation also had limited results. National ERDF programmes and domestic policy were often narrowly focused on the specific aims of the programmes. For these, the proportion of the targets to be met within Basilicata was never clear, but with the region receiving relatively small shares of these programmes the effects were unlikely to be significant.

The extent to which objectives were met varied hugely across the thematic areas covered by cohesion policy, as well as across periods. Over the full period, there was most success in fulfilling objectives relating to structural adjustment, environmental sustainability, the labour market and social inclusion/community development. In all periods, the achievements in these domains exceeded or were in line with expectations.

There is a more mixed picture in relation to the enterprise and innovation themes. The former is an area which under-achieved in 1989-93, but then improved to exceed expectations in 1994-99, before falling back to being average in the 2000s. Achievements in

innovation were below par in the 1994-99 period, but have since improved and are on track to fulfil or exceed expectations in the current period. The most disappointing achievements record is in the spatial distribution of economic activity which under-achieved relative to objectives in three of the four programming periods.

#### *Lessons and implications for future Cohesion policy*

In some respects the experience of Basilicata is positive and offers valuable insights for future Cohesion policy programmes. It shows that a good strategic plan for the development of the region, applied consistently and sufficiently funded, can be transformative. The extensive investments in physical capital have brought basic public services up to much higher standards and largely breached the development gap. Basilicata has also made considerable progress in fostering social cohesion and in improving its environment, contributing to its attractiveness to tourists and residents alike.

However, Basilicata's experience also suggests that it can be hard to make the transition from an intervention logic that focuses on investing in physical capital to one that targets enterprise development and innovation. There are risks that priorities derived from top-down processes, such as the Lisbon agenda, will be a poor fit and the evidence is that promoting an innovation-led approach is hard. Despite undoubted gain in jobs and GDP, the durability of policy results has to be explored. Basilicata has changed markedly since the 1980s and can, albeit with some reservations, be regarded as a success story, but the fragility of some of its achievements cannot be ignored.

There have manifestly been problems in Basilicata in achieving coherence between different economic development programmes, with adverse effects on the aggregate results. The striking example is the continuing deficit in external rail and road links resulting from the inadequacies of investment under national ERDF programmes and domestic policy interventions. Where physical investments have been substantial there also has to be provision for the recurrent costs of using, as opposed to constructing, new facilities. The conclusion for future ERDF programme design is, on the one hand, that a long-term vision is needed to establish a framework for policy interventions, thereby providing a roadmap. On the other hand, there has to be a means of reconciling the aims of different programmes which may have conflicting objectives, some specifically for the region, while others concern wider national or territorial imperatives.

## 1. INTRODUCTION

Basilicata is a small, relatively isolated region which, in common with other regions in the south of Italy, has a long history of underdevelopment. Its population is around 590,000, spread across the region and its largest city, Potenza, has only 68,000 residents. Although there has been considerable investment since the Second World War to open up the region, notably from national sources (under various forms of 'special intervention' for the *Mezzogiorno*) its development has been, and continues to be, inhibited by poor accessibility. There are only limited connections to the Italian national rail network, considerable distances to major centres of demand and access to air services only through the airports in adjacent regions. Internal mobility is restricted by the topography of the region and the dispersed settlement pattern. Basilicata has been a region characterised by persistent emigration of the working age population.

The region (see Figure 1) borders Campania to the west and north-west, Apulia to the east and north-east, and Calabria to the south (all of them Objective 1 regions). It has two small stretches of coastline - to the east it overlooks the Ionian Sea in the Metaponto area and, to the west, the Tyrrhenian Sea at Maratea. The territory of this region covers 10,000 km<sup>2</sup> of which 46.8 percent is mountainous and 45.2 percent is upland. The region has a complex geomorphological configuration which, in combination with its hydrographic characteristics, has caused hydro-geological instability. Its geographic peripherality is a key challenge for all development strategies implemented in the region.

Figure 1: Map of Basilicata



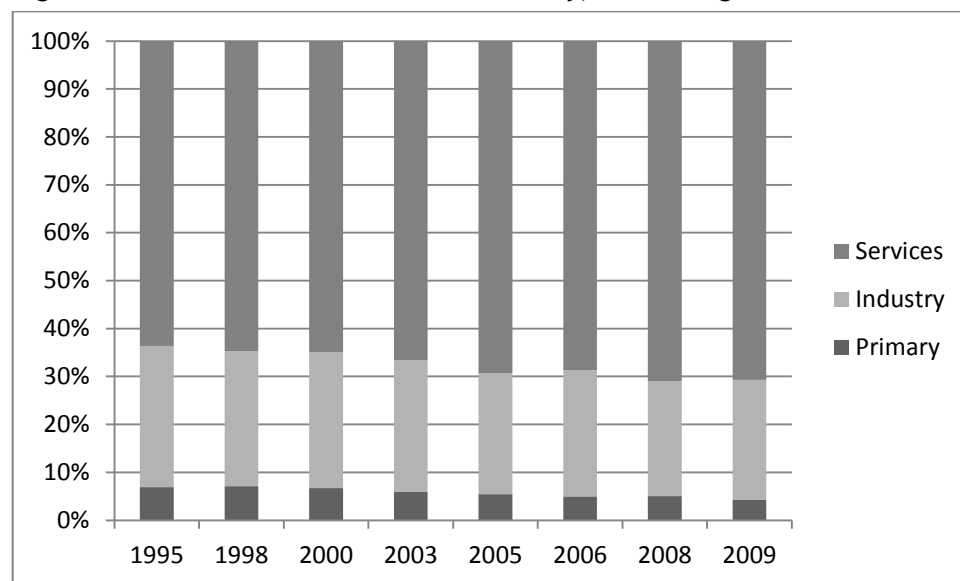
Basilicata is divided into two provinces, Potenza and Matera, and has 131 municipalities. Many parts of the region are sparsely populated, with an average density of 62 inhabitants

per km<sup>2</sup>. The low level of population density has been an obstacle to positive agglomeration economies, such as the attainment of economies of scale to increase economic efficiency. The slight decrease in population (from 623,175 people in 1989 to 590,201 in 2009) is explained by a combination of a low birth rate and emigration which remains significant. The gaps between the rural, urban and the more developed border areas (*aree di corona*) remain wide, with depopulation mostly affecting rural areas.

The regional economy was traditionally based on agriculture, but has evolved considerably since the early 1980s, when agriculture accounted for around a quarter of GDP. A decade later the share of agriculture had fallen to 20 percent of the economy and it has continued to shrink, reaching 6.7 percent by 2000 and 4.2 percent in 2009.<sup>1</sup>

As Figure 2 and Figure 3 show, the main shift has been towards the service sector, with a concerted effort to boost tourism over the last three decades being an influential factor. Industry accounts for a comparatively high proportion of both GDP and of employment. As in many traditional agricultural regions, the share of employment in the primary sector is much higher than its share of GDP, because of the higher productivity of the industrial and tertiary sectors.

**Figure 2: Structure of the Basilicata economy, shares of gross value added**



Source: ISTAT.

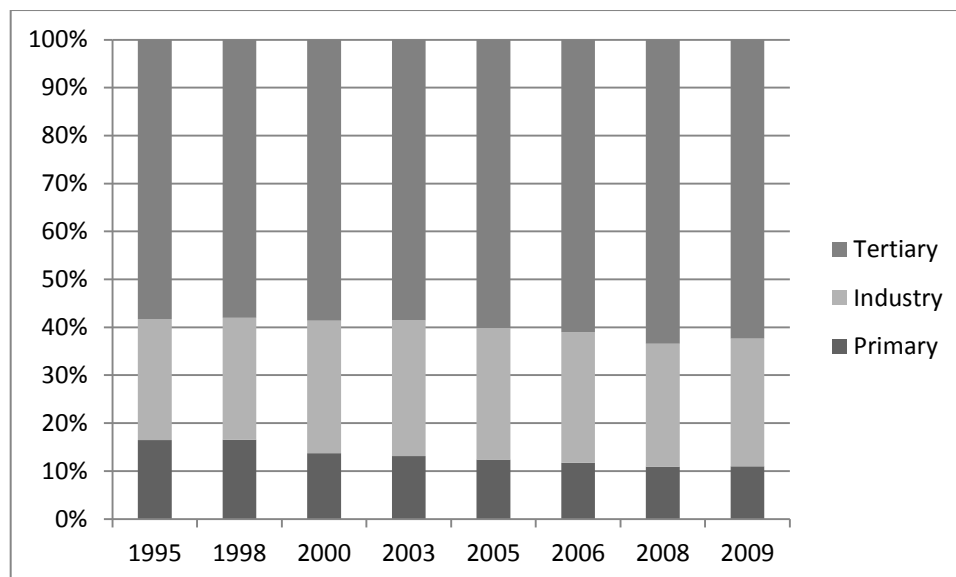
Labour market and social indicators show that Basilicata exhibits many of the same problems (albeit often to a lesser degree) as its neighbouring regions in southern Italy, and its scores on most of these indicators are less favourable than the Italian average. However, there are clear signs of relative improvement over the period covered by this study.

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<sup>1</sup> The figures for the early 1980s and early 1990s were taken, respectively, from the second and fifth periodic reports on the regions, produced by the Commission and are not readily comparable with the post 1995 data shown in Figure 2. The figures for the share of agriculture in total employment may give a better means of showing how the sectors evolved during the 1990s.



**Figure 3: Structure of the Basilicata economy, shares of employment**



Source: ISTAT.

## 1.1 Overview of ERDF interventions

The Basilicata region has benefited from EU support for regional development since the 1970s, with support from the ERDF and European Agricultural Guidance and Guarantee Fund (EAGGF) becoming more systematic with the introduction of the Integrated Mediterranean Programme (IMP) in 1986. Although this programme ran until 1992, it is not considered in detail in this report because of a lack of data. However, the experience of the IMP is reported by regional partners to have been valuable in introducing the region to the programming approach to economic development. By the time the first Pluri-fund Operational Programme (POP) was introduced in 1989-93, the regional administration had already developed a multi-annual approach to the programming of resources and had formulated a clear idea of territorial needs - to improve accessibility, reinforce infrastructure, and strengthen the tourism and manufacturing sectors.

The decade 1989-99 is considered to have been a period of continuity in the implementation of EU Cohesion policy. The regional level acted as a strategic body working with the local level in a partnership agreement, in which the local bodies were in charge of managing the projects funded by ERDF, but the ultimate selection of those projects was made by the region. From the early 1990s, domestic regional policy intervention in Basilicata (and other parts of the *Mezzogiorno*) became progressively more aligned with Cohesion policy. In 2000-06, the shift in Cohesion policy rules had a strong, more prescriptive influence on the regional use of ERDF. Evaluation and monitoring became more stringent requirements. Themes (including innovation, environment and equal opportunities) that were previously neglected by the regional level were made obligatory. Along with a shift in emphasis from fixed capital to softer investments, there was also a change in regional and local-level dynamics. A new policy instrument of Integrated Territorial Projects (*Progetti Integrati Territoriali*, PIT) gave the local level a major role in selecting the projects to be funded. However, the combination of these different types of

instrument and delivery mechanisms had the effect of slowing down programme implementation.

The 2007-13 period saw a more strategic approach to regional development at national level, with the introduction of a new 'unitary regional policy', which combined domestic funding (through a new Fund for Underutilised Areas, *Fondo per le Aree Sottoutilizzate*) and EU Cohesion policy resources within a nationwide, programme-based approach, applying EU programming, monitoring and evaluation procedures. The use of EU Cohesion policy in Basilicata changed substantially in this period, prompted by two important factors. First, the region's new phasing-out status inevitably entailed a reduction of financial support, therefore imposing a stricter selection of priorities. Second, the EU strategic turn was marked by a strong orientation towards competitiveness and innovation. In this context, Basilicata developed a two-pronged strategy intended to combine innovative interventions (such as strengthening of research, the diffusion of innovation among SMEs and the development of ICT networks), with the completion of important structural policies pursued in previous years (external accessibility as well as renewable energy resources and improvements in environmental standards).

In assessing the achievements of ERDF interventions in Basilicata in terms of relevance, effectiveness and utility, it is helpful to distinguish two macro-periods, those of 1989-1999 and 2000-2013. The 1990s were important for development for two reasons. First, national policymakers seized on the opportunity offered by substantially increased ERDF funding to offset the weakening of national regional policy. Second, Basilicata's economy received a boost from the national reconstruction fund set up after the *Irpinia* earthquake (1980) which became a driving force in the development of the region. Indeed, during this period, the positive image of the region - i.e. the absence of organized 'mafia', long term political stability, and strong social cohesion - together with substantial subsidies from the Italian government<sup>2</sup>, attracted large industrial investments such as FIAT and Barilla. There was noticeable growth in the engineering industry, and in the wood, textile, food-processing, leather and shoe sectors. A sustained period of GDP growth above the national average narrowed the economic gap with the country as a whole up to the early 2000s. However, the 2000s was generally a period of relative slowdown and declining competitiveness, with Basilicata growing at or below the national average and being outperformed by neighbouring regions such as Calabria and Campania.

Currently, the region is at a crossroads, facing forces that can either help it to leave (transitional) Convergence region status behind or, alternatively, pull it back into this category. The current economic crisis has imposed great pressure on the region and, despite considerable changes since 1989, it has suffered badly due to the lack of diversification and resilience of its economic structure.

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<sup>2</sup> Indeed, Law 219/1981, allowed the national government to provide national funding up to 75 percent as incentives to re-launch the industrial areas of the regions affected by the earthquake

## 1.2 Outline of this report

The remainder of this report is divided into six main chapters and four annexes. Chapter 2 describes the evolution of the region and its needs from the 1980s to date. Chapter 3 comprises three sections: it begins with an analysis of both the explicit and implicit strategies and their evolution, then assesses the relevance of the programmes to regional needs, and discusses relevant implementation factors that influenced programme strategies. An assessment of intended and actual financial (expenditure) allocations is provided in Chapter 4, considering whether the financial allocation reflects the strategies outlined in the programme documents. Chapter 5 reviews the achievements by programme period and by thematic axis, bringing together evidence from diverse sources, and contrasting and triangulating the findings. Chapter 6 is structured in three parts, with assessments of the effectiveness of ERDF programmes, how the programmes responded to the broader regional needs and problems, and the main good and bad practices that determined the success and failure of the programmes during the period under analysis. Chapter 7 brings together the main findings and conclusions of the study in terms of relevance, effectiveness, and utility of the programme, as well as offering lessons learnt to improve programme design, implementation, results-based management and achievements for 2014-2020.

The analysis has been based on expert review of programme documentation, other studies of change in the region, and interviews with key actors. With regard to the primary sources, there was a high level of cooperation from the regional actors, with 45 being interviewed (see Annex III). However, several were unable to present the level of detail required, and only three actors were able to provide information about the 1989-93 period. The findings were validated at a workshop held in Potenza on 26 March 2012 and attended by 22 people representing the four programming periods, as well as the private sector.

With regard to the documental sources, a full list of documents consulted is provided in Annex IV. Three main challenges arose. First, the Regional Operational Programmes (ROPs) were periodically adjusted during each period in order to respond to perceived new regional needs, creating difficulties in obtaining a stable dataset. Second, there were significant limitations with respect to the community national programmes, the Multi-regional Operational Programme (MOP) 1989-1999 and the National Operational Programme 2000-06 (NOP). These were sectoral programmes and it was not possible to establish the initial allocation of resources to Basilicata. Third, the extent to which the Annual Implementation Reports (AIRs) and evaluation documents accurately described the results and impacts of the interventions is limited. These documents tend only to analyse implementation, institutional and process changes. All the figures in this report are reported in euros in constant 2000 prices.



## 2. REGIONAL CONTEXT AND ANALYSIS OF NEEDS

Basilicata was the most backward and undeveloped region of Southern Italy in the 1980s, but has become one of the better performers over the last two decades; the GDP per head of Basilicata increased relative to neighbouring regions by five percentage points despite recent slippage. Significant changes have occurred in relation to higher levels of intra-regional mobility and basic services infrastructure, the improvement of human capital qualification, the start-up of specific sectors such as tourism, the improvement of the service sector and regional environment preservation as whole.

Nevertheless, the region still has a combination of demographic, geographical and economic problems, including low population density and (moderate) depopulation, poor accessibility, low employment and participation rates, stagnating economic activity, and a vulnerable (and weakly diversified) industrial base. A pervasive problem in Basilicata (in common with other southern Italian regions) continues to be the black economy, estimated to account for almost a quarter of GDP in the region (Herwartz et al 2010). Changes in the region are linked to endogenous factors such as the level of entrepreneurial spirit (Levesque 2008, Lo Jacono and Notarstefano 2007, Storey 2004, Audretsch 2002) and exogenous factors such as the national growth, but also to the support of ERDF and domestic public investments, particularly in targeting specific sectors and issues (Regione Basilicata e SWG, 2003).

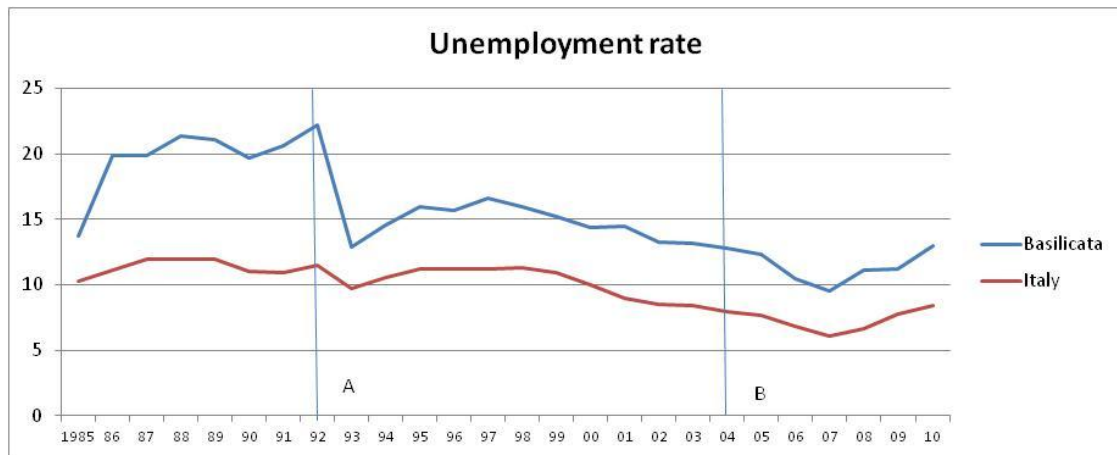
This chapter reviews the development needs of Basilicata. It draws on an analysis of relevant indicators, secondary sources, programme documents and ex ante evaluations of each programme period (see Annex V). The analysis is structured along thematic axes, although many issues are cross-cutting, applying to more than one thematic axis.

**Economic trends** - In the mid-1980s, Basilicata compared poorly with the other southern regions and Italy as a whole because of severe structural problems that hindered its ability to achieve balanced development (Regione Basilicata, 1988). In 1989, the Gross Domestic Product (GDP) was well just 67 percent of the national average, a little below the other southern Italian regions. The region was characterised by high consumption levels, in spite of low production and low levels of investment, creating a reliance on national transfers (including so-called 'special interventions') that fostered a culture of dependence. The region's problems were exacerbated by the low rates of employment and labour productivity (see Figure 4). The unemployment rate, which was 12.7 percent in 1980, surged to 21.2 percent in 1989, far higher than the national average of 12 percent (Regione Basilicata, 1990:20).

From 1996 to 2000, the region experienced rapid growth, outperforming its three neighbouring regions as well as the Italian national rate, although this improvement in growth tailed-off after 2000 before rising slightly again after 2005, as illustrated in Figure 5. The growth in the late 1990s was underpinned by a relatively strong industrial sector, notably the expansion of the furniture industry as well as the presence of the FIAT plant at Melfi, and was partly driven by improved exports. However, from 2000 there was a slowdown in productivity growth that translated into economic stagnation and halted Basilicata's process of convergence. A return to growth in 2006-07 was soon reversed as the

economic crisis started to bite. Among the factors that contributed to the slowdown were competitive pressures arising from the accession of central and Eastern European countries to the EU, as well as other global competition, and difficulties among the large enterprises in the region.

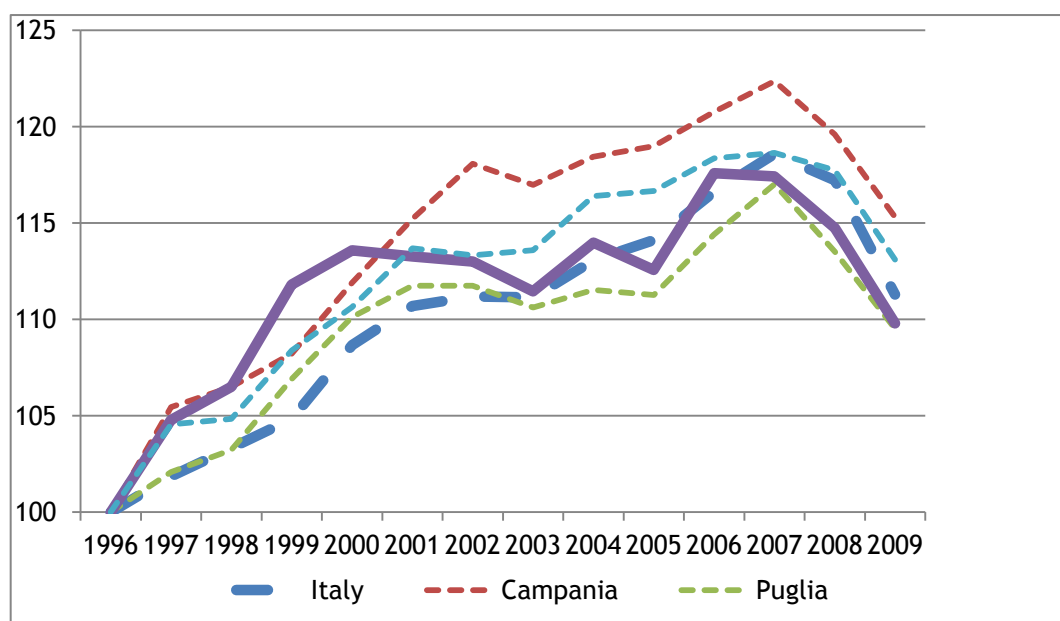
**Figure 4: Unemployment rate in Basilicata and Italy relative to 1985 levels**



Notes: A) Persons aged 14 are included until 1992; persons aged 15 and over are included since 1993. B) Since 2004, unemployed persons are persons aged 15-74.

Source: Project team analysis based on ISTAT data.

**Figure 5: Basilicata's GDP growth relative to Italy and neighbouring regions, 1996=100**



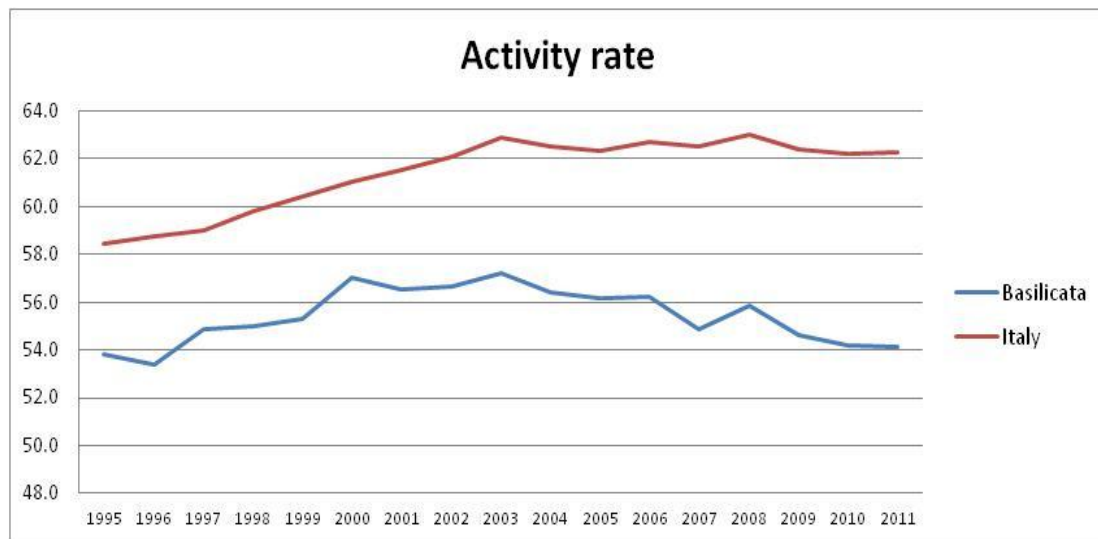
Source: Project team analysis based on OECD Regional Statistics Database.

**Labour market trends** -The Basilicata labour market shares several features with its neighbours, including unemployment rates consistently higher than the national average, relatively low activity rates, especially for women, and an employment rate that only just reached 50 percent in 2006, but was otherwise between 45 and 49 percent since 1999. This was only marginally better than Puglia, but consistently several percentage points above Calabria and Campania. Nevertheless, as shown in Figure 6, the regional unemployment

rate has fallen from the high rates of the late 1980s, fluctuating around 15 percent during the 1990s, then decreasing further from 14.4 percent in 2000, then to 12.3 percent in 2005. Despite being higher than the national average (10 percent in 2000 and 7.7 percent in 2005), it remained lower than the average of the other southern regions (20 percent in 2000 and 13.8 percent in 2005). This positive trend has, however, recently been reversed with the economic and Eurozone crises.

A fall in youth unemployment can be partly explained by emigration, as the region's younger workers, with their new qualifications, look for better jobs in other areas. Finally, unemployment is not only a problem of stocks but also of durations and flows. The region exhibits long-term unemployment rates (people out of employment for over 12 months) that are some 80 percent higher than nationally, with a registered increase since the late 1990s and a reduced level of employment participation (see Figure 6).

**Figure 6: Activity rate in Basilicata and Italy relative to 1995 levels**



Source: Project team analysis based on ISTAT data.

**Structural adjustment/sectoral development** - The agri-food sector is a key pillar of the Basilicata economy. Despite investment and reorganisation in recent decades, there is still a need for further modernisation of agriculture; the limited size of fields and farms prevents a sufficient income for farmers or the exploitation of scale economies. In the past, the good-quality dairy products were largely consumed locally, and market growth was impeded both by a lack of integration of the agri-food supply chain (*filiera agro alimentare*) - which was not capable of coordinating farm activities with their industrial and commercial counterparts - and by the inadequacies of the rural road system. From the start of the 1990s, there was a noticeable increase in production and added value that lasted until 1999, resulting from a change in farmers' organisations and the structures of their associations, particularly as regards commercialisation activity. This outcome was also achieved because of younger farmers being more open to activities financed by programmes such as LEADER and the creation of 'Local Action Groups' (*Gruppo di Azione Locale, GAL*) that promoted the vertical integration of the production chain.

The service sector has been slow to develop compared with the most advanced Italian regions, implying net imports of services, but nevertheless expanded throughout the period under study, reaching 71 percent of gross value added by 2009. Within private services there was a lack of large commercial distribution points or of financial and insurance services. In public services, the university education and professional training available in the region was limited in terms of quality and quantity, and it did not match labour market demand; there was also a lack of basic health and transport services. The tertiary sector became more dynamic after 1999, becoming the main source of growth as industry faltered. Indeed, growth in the productivity of the non-commercial sector (education, health, public utilities and government) made a substantial contribution to regional output throughout the period. Overall, Basilicata still suffers from a low level of provision regarding public transport, leisure centres and childcare services, whereas the development of the private transport, communication, education and tourism sectors has been dynamic in recent years and continued during the slowdown which began in 2000.

Tourism services suffered from low accommodation capacity and quality, comprising mainly hotels of medium-to-low quality and small size, unevenly located across the territory. The sector was characterised by unpredictable income flows and a need for modernisation in two respects: to make the tourism offer more attractive (through investment in accommodation capacity and enhancement of environmental and cultural quality); and investing in training to meet the demands of the tourism market. In both areas, ERDF funding appears to have been influential, and tourist arrivals grew by 40 percent between 1999 and 2006. Even so, occupancy rates remain low, at between a quarter and a third, according to Italian national tourism data.

In the mid-1980s, the industrial sector appeared to be struggling, especially the chemical and textile sectors which, until then, had been the main industrial activities. Manufacturing was hampered by the small size of enterprises, a lack of agglomeration, and underdeveloped business services (including logistic, financial, and marketing services), while shortcomings in transport and telecoms infrastructure imposed limits on the development of regional entrepreneurial structures.

Despite this unpromising background, the industrial sector made a substantial contribution to the strong growth of the 1990s. Some new production hubs were particularly important in the regional context, such as the soft-furniture district of Matera,<sup>3</sup> the agri-food sector in the Vulture area and, above all, the automobile hub of Melfi (FIAT), which expanded to employ more than 5,000 workers after its completion in 1994. Oil extraction in the Val D'Agri has also seen significant investment - estimated at up to €1.65 billion between 1998 and 2002 - from the Italian government and ENI, the public corporation, contributing to direct employment of 150 people and over 600 indirectly. Royalties for oil extraction have also been an important source of revenue for regional and local government, yielding around €50 million per annum.

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<sup>3</sup> In recent years, the stuffed-furniture district has suffered a severe crisis which has led to the dramatic downsizing and near disappearance of this activity.



While the expansion of vehicle manufacturing was encouraging, it was not matched by growth of other industrial sectors, illustrating the limitations of Basilicata's overall industrial base, not untypical for a small, fairly closed economy. In addition, the region has a relatively low rate of self-employment - with a share of dependent employment (to total employment) some ten percentage points higher than the national figure.

Basilicata has fewer firms (less than four-fifths), in per capita terms, than Italy as a whole. However, relative firm sizes are marginally higher than the national average. An explanation for this is that throughout the period for which data are available (mid-1990s onwards), gross firm birth-rates in the region were broadly comparable to those of Italy at large, but the region underperformed, at least since 2000, with respect to firm survival. Compared to Italy as a whole, the share of foreign-owned firms and FDI inflows to the economy is low, reflecting the low attractiveness and weak business environment of the region. Although caution is needed in interpreting these data, they suggest that entrepreneurial activity is below average. Indicators of the contribution of large firms to total employment, show that Basilicata has remained close to 55 percent of the national average throughout the period. The region has a relatively high proportion of medium-sized firms, disproportionately domestically-owned and generally with lower survival rates than the national average.

**Infrastructure** - Infrastructure deficits have always been one of Basilicata's main problems, despite the national large-scale infrastructure projects implemented in the 1950s to develop water, telephone, transport, and energy networks (Regione Basilicata, 1990:29). Although substantial ERDF investments have been made in basic service infrastructure, road and other transport systems are still problematic. Apart from the geographic characteristics of the territory, the poor state of infrastructure seems to have been a legacy of inadequate coordination and programming of initiatives, above all by the presence of multiple decision centres, particularly at the upper-regional level (Regione Basilicata, 1994:1651).

**Innovation** - The region's narrow industrial base may account for a low rate of innovation. Despite the fact that the share of university degree holders in the population has grown, Basilicata underperforms significantly in research and development (R&D) activity. The overall spending on R&D (as a share of GDP) is some 45 percent below the national average, and consists mainly and disproportionately of public investment. Private investment accounts only for a quarter of the corresponding national value. Compared with other Italian regions and even its immediate neighbours, the proportion of the population aged 20-24 in tertiary education is very low.<sup>4</sup> Similarly, the patenting rate is low, though quite volatile.

**Environmental sustainability** - The region does not seem to suffer from pressing environmental problems, despite investment in sectors (car manufacturing, construction and petroleum exploitation) that might have significant implications for the environment.

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<sup>4</sup> This proportion is relative to the resident population and therefore takes no account of students from Basilicata who study outside the region, so that with only one university, it may paint too negative a picture.

The economic activities of the region have only recently shifted towards environmentally sustainable activities (eco-tourism, small-scale / organic farming, etc.).

**Social cohesion and community development** - Two of the main strengths of the region are its high level of security and social capital. Indeed, the rates of violent crime, including homicides, have in general been lower than the national averages. In addition, the population has shown high participation in social and charitable activities. Although Basilicata scores more positively than its immediate neighbours on indicators of social conditions, it falls well short of the national average over the period 2004-10 on relevant indicators. Thus, for 'at risk of poverty' it is 3-5 percentage points below the average for the South, while for 'severe material deprivation', it was at least two points below the South average except in 2009.

Moreover, the level of social infrastructure has been lower than the rest of Southern Italy with an index of leisure infrastructure at 35.4 percent of the national average in 2004 against 55.6 percent of the national average in the southern part of the country. The *Mezzogiorno* regions registered 92 percent of the national average of educational infrastructure, while Basilicata registered only 50 percent. The level of hospital infrastructure increased from 32 percent of the national average in 1991 to 35 percent in 2006, with a reduction in the number of people obliged to seek treatment outside the region (Regione Basilicata, 2007c), a favourable change towards which the ERDF can be said to have contributed. Finally, the region has attained only a modest percentage in recycling waste material. The low degree of environmental awareness and social-community development explains this to some extent, but the main factor is the dispersion and large number of relatively small urban areas which do not facilitate the collection of waste.

**Overview of needs** - The main problems and needs of the region up to 1989 are summarised in Box 1. These thematic axes form the analytical lens for the assessment in the remainder of the report. To varying degrees, the issues listed below have been the focus of the ERDF and ESF programmes - the subject of the next chapter.

**Box 1: Summary of the main problematic issues as in 1989**

*Thematic axis: Spatial distribution of economic activity within the region*

1. **Geographic**: hydro-geological instability of the territory and geographic peripherality, disparities and inequalities between the region's areas (rural and urban)

*Thematic axes: Labour market/Social inclusion - Community development*

2. **Growth and employment**: low per-capita income, low employment rates in high added-value sectors, low-skilled workforce, and emigration.

*Thematic axis: Structural adjustment/Sectoral development*

3. **Production structure - agriculture**: small size of farming enterprises, and fragmentation and low productivity of land.
4. **Production structure - tourism and service sector**: low accommodation capacity, lack of

qualified human capital.

*Thematic axes: Enterprise, Innovation, Environmental sustainability*

5. **Production structure - craft and industry sectors:** small size of enterprises, lack of basic services, absence of entrepreneurial culture and innovation.

*Thematic axis: Infrastructure*

6. **Infrastructure and accessibility:** lack of roadway and basic infrastructure, reduced intra- and inter-regional communication, and lack of railway, port and airport systems.



### 3. PROGRAMME EVOLUTION AND RELEVANCE

Basilicata has received significant EU funding since the mid-1980s. In 1988, it was designated an Objective 1 region, a status it held from 1989 until 2006. During the 2007-13 period, the region is exiting from Objective 1/Convergence status and is classified as a Phasing-out region. It has also received substantial funding from domestic sources, albeit with varying degrees of coordination and coherence with cohesion policy. High levels of domestic funding for regional policy in the 1980s and early 1990s were scaled back when cohesion policy budgets expanded, but Basilicata nevertheless continued to benefit from a variety of financial measures, including public funding for large inward investors and for the development of the oil extraction industry.

#### 3.1 Explicit and implicit strategies and their evolution

Throughout the period 1989-2013, there have been four recurrent themes in the region's strategy, as presented in programme documents (see Table 1): connectivity, referring to improvements in accessibility, transport and services; productive investment, mainly support for SMEs; enhancement of the cultural and natural resources associated with tourism; and improvements to the stock of human capital (also involving measure-level synergies with ESF). These four themes progressively became fundamental components of an intervention policy which sought to 'unify the territory' internally as well as connecting it to other regions. The aim has been to promote development and competitiveness, not only through material interventions but also by focusing on immaterial aspects such as information technologies and human capital. It should be noted, however, that an integrated strategy took time to emerge. Initially the programme 'strategies' were assembled from separately planned sectoral initiatives and projects.

**Table 1: Priorities for the Basilicata regional programmes 1989-2013**

Priorities	1989-93	1994-99	2000-06	2007-13
Connectivity	P1 Communication	P1 Transport	P6 Networks & services	P1 Accessibility
Productive investment	P2 Industry, manufacturing and services	P2 Industry, manufacturing and services	P4 Local development systems	P3 Productive competitiveness
Tourism, culture, nature	P3 Tourism	P3 Tourism	P1 Natural resources P2 Cultural resources	P4 Valorisation of cultural & natural resources
Economic infrastructure	P4 Support infrastructure	P4 Support infrastructure for economic activities		
Human resources		P5 Education and training	P3 Human resources	P2 Knowledge society
Urban			P5 Cities	P5 Urban systems
Social inclusion				P6 Social inclusion
Energy				P7 Energy & sustainable development
Technical assistance	P5 Technical assistance	P6 TA, dissemin. & evaluation	P7 Technical assistance	P8 Governance and technical assistance

Source: Project team elaboration based on programme documents.

However, there has been consistency in what each of the four main components of the strategy sought to do, and the way that they supported each other. For instance, the

priorities relating to education and training were formulated with reference to the needs of specific sectors (e.g. agriculture or tourism), and investment in transport aimed to improve not only general accessibility, but also better access for enterprises to industrial areas as part of the SME objectives. This approach was evident both in the objectives stated in the programme documentation (that is, the explicit strategies) and in the implicit strategies that can be imputed from the subsequent implementation of the programmes (see expenditure analysis in Chapter 4). This strategic consistency can be explained by the thorough diagnosis of regional needs and problems, and meant that there was a good congruity between strategies, objectives and needs. Despite the continuity, the change of status of the region in the 2007-13 programme period (from Convergence to Phasing-out) and the Lisbon Strategy led to a stronger emphasis on themes such as social inclusion, energy, sustainable development and the knowledge society.

The Managing Authority was mainly responsible for the regional needs analysis with the support of specialist researchers from different institutes, in particular from the institute for research on territorial development and agriculture and from the SVIMEZ. However, this strategic consistency in approach was not always well communicated or appreciated within the region; interview research revealed that some stakeholders had a partial or misconceived view of the strategy with regard to the 2000-2013 periods. In some cases, problems arose in adhering to the strategy when EU priorities such as *Innovation* and *Cities* had to be accommodated. As a result, there is some evidence that local partners pursued what amounted to an 'alternative strategy' at times (see below).

EU funding for Basilicata came both from the POP/ROP regional programmes (whose priorities are listed in Table 1) and from national programmes - Multi-Regional Operational Programmes (MOPs) and National Operational Programmes (NOPs).

### **3.1.1 The introduction of programming: 1989-93**

During 1988-93, the region received funding via the Integrated Mediterranean Programme of €155.8million which was mainly invested in the agricultural sector and tourism (Regione Basilicata, 1988). Through having to implement the IMP, regional officials familiarised themselves with the European Community's terminology, approach and techniques - this learning process proved to be useful for the region in subsequent periods. Shortly after the launch of the IMP, the region started to receive Cohesion policy funding for 1989-93 programme through the first POP. This was a regional sectoral programme, articulated in sub-programmes (equivalent to priorities) with funding from ERDF, ESF and EAGGF.

The first POP was integrated with the pre-existing development strategies framed in the domestic Regional Development Plan (RDP).<sup>5</sup> However, the POP did set out a new intervention logic: based on theories of endogenous development, it involved a new

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<sup>5</sup> The Regional Development Plan is a strategic programming document of the region that is drawn up every three years. Prior to 1989, it would mainly include the use of national and regional funding. After 1989, with the cutbacks in national and regional resources it became mainly focused on the use of EU resources. Most interviewees agreed that implementation of the ERDF in the region was greatly facilitated by having a pre-existing unitary programming scheme, where 'the Structural Funds were considered to be part of a bigger picture'.

approach aimed at reducing Basilicata's external economic dependency and switching from demand-side to supply-side policies. The programme was based on four objectives (implemented through five priorities and a total of 11 measures) (see Annex II):

1. Improve accessibility and the regional road network to remove the bottlenecks that slow down economic development;
2. Increase production potential by strengthening enterprises and their interactions, especially in the agri-food sector (the latter with specific support from EAGGF);
3. Tourism - enhance natural and cultural heritage;
4. Improve human capital (solely supported by ESF);
5. Economic infrastructure.

Based on figures for both allocations and actual expenditure (see Chapter 4) as well as the evidence of interview research, the two most important strategic foci were infrastructure and the natural and cultural heritage. The explicit strategy was to upgrade the production structure by building up fixed capital (infrastructure) but also by improving vocational activities, tourism and agriculture. The wider objectives were to reduce territorial disparities and foster economic and social convergence with neighbouring regions, and upgrading workers' skills. Implicit in this strategy was a desire to improve social and territorial cohesion within Basilicata, and not just to boost economic growth.

In programme documents, infrastructure was identified as a pre-condition for development, increasing final demand and reducing constraints on economic growth, enterprise and tourism development. However, the implementation of the programme suggests that an important motivation for the stated strategy of improving infrastructure was to stabilise the population and ameliorate depopulation of remote areas, by reducing their isolation through improving mobility and services. Similarly, in the field of enterprise, the explicit strategy was to create a better environment for enterprises through infrastructure and services. However, the evidence suggests that an implicit intervention logic was to influence SME investment decisions to redistribute economic activities across the territory and achieve spatially more balanced development (Nomisma, 1992).

Tourism was identified as a potentially important driver of development across the whole period 1989-2013 and, thus, a source of structural change, but Basilicata lacked major tourist attractions. The 1989-93 programme period sought to change this by investing substantially in the environment and the cultural heritage, both to preserve them and to increase tourist numbers. However, part of the motivation was apparently also to improve the well-being of the local population and to enhance the local housing stock (for example via renewal of small historic towns). The strategy was not confined to marketing and territorial promotion for the region as a whole intended to increase the attractiveness of the region. These interventions focused on enhancing managerial and technical skills and included building the material infrastructure for education as well as actions to stimulate the entrepreneurial class. For Basilicata, the investment in human capital became a crucial development factor in successive programme periods.

Parallel to the POP, the region received funds through the national MOP programmes.<sup>6</sup> During this period, 44 percent of the 1989-93 Community Support Framework (CSF) resources were assigned to the regions, whereas 50 percent were assigned to the MOPs (the remaining six percent was assigned to other initiatives). Around 60 percent of the actions financed by the MOPs were carried out through the pre-existing domestic regional policy 'Special Intervention' (*Intervento Straordinario*) (Law 64/86). In line with the regional strategy, the programmes assigned national corporations to carry out large projects in the field of infrastructure and basic services in the southern regions of Italy, for example in the water, energy and communication sectors. The MOP resources allocated to the regions varied accordingly to the projects carried out within their territory. Basilicata was left out of many major transport infrastructure interventions and received only 20 percent of MOP funds.

### **3.1.2 Investing in infrastructure: 1994-99**

The 1994-99 POP was written by the same administration and officials who dealt with the POP 1989-93. As a result, the strategic framework of the POP 1994-99 was broadly the same as in the 1989-93 POP, though with some noteworthy shifts of emphasis. The programme was much more generously funded than in the previous period, with The ex-post evaluation highlights the importance attached by the Basilicata authorities to tourism 'as a relevant development opportunity for a small and well organised regional territory, and agriculture' (Ismeri-Europe, 2002: 43) compared with other Mezzogiorno regions,

The region also received funds from 14 of the 15 national ERDF MOP programmes<sup>7</sup> (airport infrastructure which, in any case, had a very small budget was excluded) (). In total, 46 percent of CSF resources were assigned to the regions, with the balance of 54 percent assigned nationally. However, the allocations of money were very uneven across the regions covered by the Italian CSF and it is especially difficult, for some of the MOPS, to ascertain how much accrued to Basilicata. An example is MOP railways, which had close to ten percent of the total MOP budget. Some of the major projects to improve Basilicata's rail network involved improving facilities in neighbouring Campania, albeit with Basilicata as the anticipated beneficiary. One element that emerges from the ex post evaluation is that Basilicata received a disproportionate share of the regional funding, some three times the level that would have been expected on the basis of its population (Ismeri Europa, 2002:66), partly to 'compensate' for receiving a relatively small share of funds from national ERDF programme (i.e. MOPs). The evaluation also states that the higher funding for Basilicata was justified by the region's good absorption capacity during the 1989-93 period and by the need for interventions to be large enough to be able to have a decisive impact.

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<sup>6</sup> During the first programme period of 1989-93, Italy drew up seven ERDF programmes: Energy (gas distribution), Assistance to Industry and Services, Industrial Areas, Telecommunications, Tourism, Water Resources, and Technological Research and Development.

<sup>7</sup> Technical Assistance, Safety for the Development of the South, Civil Protection and Public Works, Environment, Energy, Road Infrastructure, Industry Craft and Services, Water Resources, Tourism, Research and Technological Development, Railway Transport, Telecommunications, Airport Infrastructure, Public Education (ERDF-ESF), and Territorial Pact for Employment.



The explicit strategy was to eliminate the region's 'lagging characteristics' - as in the previous period - but with a major effort to re-orientate the economic structure towards the market, favouring the modernisation and adjustment of the productive system. The programme was based on six objectives (five priorities and 13 measures for ERDF funding, see Annex II):

1. Strengthening transport infrastructure;
2. Strengthening basic infrastructure;
3. Reinforcing and widening the industrial base;
4. Preserving, protecting and enhancing natural and cultural resources;
5. Enhancing tourism potential; and
6. Improving human capital.

The shift in emphasis from infrastructure towards business support had the aim of inducing more industrial production and the extension of the industrial base (Florio, 1994). However, as in the 1989-93 programme period, the focus remained on infrastructure for transport and basic public services, agriculture, environment, tourism and human resources. During this period, the use of ERDF moved away from investment in facilities and services directly related to the needs of SMEs and instead sought to improve primary public services to enhance citizens' quality of life and indirectly develop job opportunities at the same time.<sup>8</sup> The logic behind this approach was to increase social fixed capital.

Extending the transport network was a key policy priority to which the POP and the MOPs Railways and Roads were to contribute, alongside major national investments in rail and roads. According to the ex-post evaluation, the main responsibility for transport lay with domestic policy (Ismeri-Europa, 2002: table 11, page 38) which funded 85% of the aggregate effort, with the Italian CSF responsible for the remaining 15%.<sup>9</sup> Initially, the POP had only one measure (1.1 *Roads*) in this area, but as a result of a mid-term review, the resources allocated to this sector were increased, mainly because the initial cost for the interventions were underestimated, but also to broaden the scope of the investment in this sector (see Chapter 4).

Energy investment was also largely a task for domestic policy and, in Basilicata, appears to have been especially prominent in establishing gas networks. By contrast, the Italian CSF was assigned the dominant role in supporting tourism (70% of the collective effort, with 30% coming from domestic policy) and this is reflected in the substantial effort put into tourism in the Basilicata POP. Nearly all the effort on telecommunications was from the CSF, whereas there was a more even split between the CSF and domestic funding in the areas of research, environmental and water resources, and industry.

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<sup>8</sup> This was the case for measures 5.1 Water, 5.2 Energy, 5.3 Environmental Protection and improvement, and 5.7 Medical facilities construction.

<sup>9</sup> These figures are for all supported regions (i.e. the whole of the Mezzogiorno) and there is no separate figure for Basilicata. Consequently, they may overstate the expectations of what might have been expected from 'Rome' as opposed to 'Brussels'.

Business support was allocated disproportionately to the agricultural sector at programme level because of pressure from agricultural entrepreneurs for more resources (Ecosfera *et al*, 2002). The stated ERDF objectives were to strengthen artisan products, and to promote clusters, agglomerations of businesses and production chains. This was responding to the changes under way in the regional production system, now revolving around small districts and networks of suppliers linked to the large industrial plants established in the region. In practice, SME support seems not to have been very selective or strategic, and it was concentrated on physical investment rather than innovation. In this period, Basilicata also established an EU-funded Business Innovation Centre (BIC) grant - subsequently considered to have been an example of good practice by many interviewees (see Annex I, Section 8.1). Indeed, the establishment of a business-support agency responded to the needs of enterprises and public bodies regarding support with application procedures for public financing.

Actions in the field of human capital were similar to those in the 1989-93 period, with a strategy that involved constructing training facilities and improving worker qualifications. The interventions aimed to fill the gap of qualified workers, to modernise the management structure of enterprises and to enhance self-employment. In comparison with the previous programme period, interventions in 1994-99 revealed a better formal synergy between the Funds, and the consistency of a strategy that invested in both physical and human capital (Ecosfera *et al*, 1999b).

### **3.1.3 From hard to soft interventions: 2000-06**

The strategy and objectives of the third regional programme adopted for the 2000-06 cycle sought to strike a balance between concentration on the region's persistent structural problems and new requirements. This had a more integrated nature and was less sectoral. Basilicata also received funds from six of the seven NOPs dealing with national strategic themes:<sup>10</sup> the funds were allocated according to specific percentages (*percentuale di riparto*), ranging from a maximum of eight percent (NOP ATAS) to a minimum of three percent (NOP Transport) of the national budget.

The explicit strategy was largely about increasing the productivity of physical, human and financial capital so as to make better use of regional assets and simultaneously attract external resources. The programme changed the balance between soft and hard interventions and reduced the focus on agriculture and crafts, and increasing support for industry and services. It also responded to the shift at EU level towards prioritising soft interventions such as innovation, marketing and services. The changes in the strategy were due, in part, to the Lisbon Strategy which justified greater investment in areas such as ICT that could support competitiveness. However, the Lisbon agenda also tacitly imposed new priorities in some areas and sectors for which the regional economic structure was unprepared (*Innovation* and *Cities* priorities). The programme was structured in seven

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<sup>10</sup> Scientific research, technological development and higher education; School; Safety; Local entrepreneurial development; Transport; Technical assistance and system actions. Fishing was excluded.

priorities and 23 ERDF measures (47 overall), within four overarching objectives (see Annex I, Figure 3.3):

1. Overcoming peripherality;
2. Overcoming the marginality of the production system;
3. Achieving sustainable development; and
4. Improving human resources and active population employability.

The new strategy ostensibly allowed all the unsolved problems of the region to be addressed in a comprehensive package. In practice, as revealed by expenditure data (See Chapter 4), the third and fourth objectives were accorded the greatest importance within the strategy, followed by overcoming peripherality (1) and marginality of the regional production system (2). In relation to accessibility, the resources allocated to transport infrastructure were predominantly for internal road links. External accessibility, by comparison, was neglected, despite the importance accorded to it in the overall strategy.

The focus of connectivity actions shifted to strengthening soft networks. Policies for SMEs and the local development systems were geared towards supporting technological processes, product innovation, and internationalisation.<sup>11</sup> The underlying logic was also responding to the new paradigm suggested by both national and regional development agencies to attract FDI, under the banner of 'Italia Development' (*Sviluppo Italia*). Nonetheless, the actual strategy was still targeting small-scale interventions in the local market, low added-value sectors and a modest level of R&D. Incentives for firms (Law 488/92) were calibrated to maximise their potential employment effects, rather than financing more strategic initiatives.

Contrary to the managing authorities' claims - i.e. that generalised interventions targeting firms were what the entrepreneurial fabric required - the analysis for this study reveals that a lack of appropriate industrial strategy hindered the ERDF support from promoting a more diversified and wider production base. The industrial policy, at both national and regional level, was focused on supporting existing sectors rather than promoting potential new industries. Interventions to support SMEs aimed to upgrade and modernise the industrial base, such as by enabling firms to attain quality certification in the environmental field. In fact, the explicit and implicit strategies - also influenced by the EU agenda - favoured protecting the environment to increase the level of wellbeing and indirectly support the tourism sector. During this period, 'soft' tourism interventions were initiated, such as marketing and territorial promotion.

The 2000-06 programme period was also characterised by a growing emphasis on the adaptability and employability of human resources, intertwined with the development of entrepreneurship, gender equality, and innovation in the education and training system. ERDF funding supported the supply of infrastructure and services by strengthening those

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<sup>11</sup> Examples are: the One-stop shop for enterprise internationalisation (*Sportello Regionale per l'Internalizzazione di Impresa*, SPRINT) and the sectoral integrated project for internationalisation (BASINT).

educational and vocational instruments and also incentives that could encourage enterprises to invest in the region, thereby increasing employment opportunities.

### **3.1.4 Innovation and SMEs: 2007-2013**

The 2007-13 programme is the product of economic, political and technical trade-offs, prompted by two important factors. First, the region's new status as phasing-out from the Convergence objective inevitably entailed a reduction of support from the national level because Basilicata ceased to be eligible for national EU programmes, not only in financial provisions but also in strategic and learning terms. (Participation in national programme had involved taking part in so-called 'consultative tables' on strategic themes (transport or energy), representing an occasion both to influence national decision and exchange experiences with other regions.) Second, closer alignment of Cohesion policy with the goals of the Lisbon Strategy implied a strong orientation towards competitiveness and innovation. The challenge for the region therefore was to find a strategy capable of giving more weight to innovative interventions while persevering with structural policies carried out in previous years.

The 2007-13 programme's seven thematic priorities sought to achieve an effective integration between cohesion aims and Lisbon goals. These were not necessarily incompatible, but the logic underlying them could lead to a programme lacking coherence in a region where social cohesion and hard infrastructure were still not sufficiently developed. Hence, there was a potential trade-off between investing in competitiveness priorities, such as ICT and the knowledge economy, rather than in cohesion objectives, including reducing territorial disparities within the region. Reconciling the Lisbon Strategy with Basilicata's particular problems was not simple, as the region still needed to improve road and other transport infrastructure (notably rail) and the quality of services (such as fast airport links) and to strengthen the entrepreneurial environment. Increased investment in research and innovation was desirable for competitiveness reasons, but it implied riskier investments that would be difficult to undertake, especially when the game changed because of the crisis.

Consequently, the elaboration of the strategy was a long process which required extensive negotiations between the Commission desk officers, who were advocating spending on innovation and urban issues, and regional officials who were more inclined to the previous model of development of the region. The programme was drafted several times, and in its final version a change was made in order to add two further priorities more oriented to innovative intervention, but still keeping an emphasis on tourism (via natural and cultural resources enhancement) and accessibility. Further changes in the programme were introduced in 2012 with a rebalancing of the effort devoted to different axes.

The outcome was a two-pronged strategy for the 2007-13 period, in some respects a compromise. The first strategic focus is on competitiveness, involving the strengthening of research, the diffusion of innovation and the development of ICT networks, and as the programme has evolved, the knowledge economy axis has been allocated more resources compared with earlier plans. In practice, this has consisted of bottom-up initiatives to identify SME innovation needs and to embed R&D processes. Continued investment in

improving accessibility is linked to competitiveness and aims to connect Basilicata to European corridors (TEN-T) in order to increase its international exposure. The *Urban systems* priority aims to make Matera and Potenza the growth poles of the region and hubs for accessibility, economic activity and services, but is an area which was cut back in the 2012 rejigging of the programme.

The second main objective of the strategy, envisaged as helping to complete past interventions (albeit with fewer resources), is to exploit the richness of the region's natural and cultural resources and assets for competitive advantage. The investments in renewable energy resources and improvements in environmental standards are strategic and coherent with that aim. Indeed, the actions implemented to develop wind energy or to exploit water resources to produce alternative energy have two aims: safeguarding the environment and developing green business activities.

ERDF support for minimum standards of welfare services is also part of the strategy. The reason for having this as a priority - linked to an ageing population - is to cut public welfare expenditure, again having an impact on competitiveness by lowering social charges. There is also an attempt to promote private-public partnerships through ERDF.

### **3.2 Relevance of programmes to regional needs**

Over time, the region's ability to identify problems and needs has improved and has adjusted to new challenges. Many of the problems identified at the beginning of 1989 remained on the table across the different programme periods (e.g. accessibility), some others have changed, such as the needs of the industrial base and the tourism sector, and others have been largely solved (e.g. basic services infrastructure). The evidence suggests that programmes have been able to identify existing needs and to respond to them. Table 2 below summarises the regional needs identified by the different programmes and the programme responses. This illustrates the shifts noted above. A further summary assessment is provided in Table 3, which shows the degree to which programme responses in practice (imputed objectives) matched regional needs.

In the first period (1989-93), the strategy was largely appropriate for meeting the region's needs, as highlighted in the context analysis, and was consistent with the general framework developed in the overall RDP. In addition, the needs of the region at the time (in the early stage of its development) were particularly clear cut and basic, and there was widespread agreement on what needed to be done.

The main thrust of the 1994-99 programmes was also coherent with the region's needs, insofar as it focused on priorities that reflected regional weaknesses and sought to promote the under-exploited tourist sector which offered rich opportunities. However, the programme can be criticised for not allocating sufficient resources to overcome accessibility problems that had not been sufficiently well dealt with in earlier domestic public investment programmes. On the other hand, despite limited support for industrial development, the funding to support tourism, environment, and human capital corresponded better to the region's needs. The issue of the low level of services in

population centres remained secondary, a problem which has continued to afflict Basilicata.

The limited size of the region and its market did not favour expansion of centres, although ERDF support has contributed to improving the quality of life of the population living in small villages and towns, including by facilitating the regeneration, restoration and renovation of the cultural heritage. The objectives were therefore partially pertinent and relevant for the development of the region, even though the plurality of interventions sometimes lacked a clear hierarchy, since the strategy adopted was multifaceted as it targeted the agricultural and industrial sectors at the same time.

**Table 2: Comparison of regional needs and programme responses**

	Regional needs	Response	Project Focus
1989-93	Reducing territorial disparities and isolation Reducing external dependency Low level of population skills	Aligned to domestic strategy of building infrastructure for growth Triggering endogenous development	Physical development  Tourism development
1994-99	Reducing low level of accessibility and low level of social cohesion Reducing external dependency and reducing the negative externality deriving from the sparse economic activity on the territory Low level of service for business development Low level of population skills	Aligned to domestic strategy of building infrastructures for growth and social cohesion  Triggering endogenous development and concentration of economic activity Start to increase emphasis on SMEs Soft interventions	Physical development and social fixed capital infrastructures  Tourism development and construction of artisanal and industrial areas for clustering BIC Basilicata Integrated projects ERDF and ESF
2000-06	Geographic internal and external peripherality of the region Capitalisation of tourism and environment resources also to reduce territorial disparities Job creation (young and women) and enlargement, qualification and innovation of the production base	Adoption of material and soft interventions according to the EU focus Stronger focus on SMEs and environment	Enhancing internal road links and soft networks (ICT) Marketing actions, PIT and preservation actions  Incentives for quality standard for SMEs as precondition for innovation SME incentives based on job creation
2007-13	Lack of international accessibility  Modest competitiveness and low survival rate of SMEs  Lack of urban agglomeration and negative externalities  Ageing population	Overarching Lisbon Strategy goals for competitiveness	Investments in TEN-T corridors and soft interventions (ICT)  Door-to-door action for innovation  Higher involvement of private capitals in tourism sector Enhancing the two regional poles  Social service

Source: Team elaboration.

As a result, in some respects the 1994-99 POP appeared generic and not well defined, largely due to its structural division into sub-programmes within which the objectives were not clearly organised or measurable and thus not 'SMART', and the MOPs (with their national priorities to the fore) were not sufficiently attuned to Basilicata's needs. There was some uncertainty both in relation to the subjects and beneficiaries (including a lack of specificity) and the time scheduling within which these interventions were to be implemented (including the absence of milestones). The increased funding allocation for this period was commensurate with the scale of regional needs, notably the high level of expenditure in the field of social infrastructure. Domestic support for SMEs and the MOP Industry did not, however, do enough to stimulate SMEs.

The analysis suggests that the ROP objectives in the 2000-06 programme were more clearly defined and integrated, and that the strategy largely followed what was set out in programme documentation. However, the strategy only partially responded to the needs of the region, especially regarding diversification of the productive sectors and the enlargement of the production base. The support provided to existing enterprises did not promote a strategy of decisive structural change in the production fabric and was not able to offset the shortcomings of domestic policy interventions, although the growth of oil and gas production and the activity of large firms located in the region, such as Fiat and Barilla<sup>12</sup>, manifestly helped the industrial sector. The NOPs had broad objectives, notably for external transport connections and industry that were to prove unrealistic.

The 2007-13 programme focused more on interventions for SME development and supporting innovation. Latterly, the programme has been part of the response to the crisis. The lower funding allocation, given the current economic crisis, has meant that fewer needs can be targeted, with areas omitted including networking among firms, which is still weak in Basilicata.

Overall, as illustrated in Table 3, support for the production system, SMEs and innovation has increased over successive programme periods. However, for tourism, even though it remains central to the region's strategy, the allocated ERDF resources have been reduced and the expectation is that more funding should come from the private sector. Environmental sustainability has always been a central aspect of the regional strategy, with increasing support during 2000-06 (preservation) and 2007-13 (green economy). The lack of dynamism and unemployment in the labour market are constant problems in Basilicata, and both the 1994-99 and 2000-06 programme periods have tried to tackle these issues.

Territorial disparities have also been a problem in the region, and there has been a particular focus on 'balanced development' interventions over successive programme periods. These challenges have not been adequately resolved, but attention to these issues was downgraded in the 2007-13 programme, which has placed more emphasis on thematic priorities such as energy. Community development has been a transversal objective in all

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<sup>12</sup> The Barilla factory was built in 1987 and expanded in 1994. In 2009, a study conducted on the factory suggested that over 22 years, € 230 million were invested and that 382 employees were permanently employed by the factory.

programme periods, but received most attention during 1994-99, with intervention to improve social fixed capital, and in 2007-13 through the social inclusion priority. In parallel, considerable attention has been given to the internal road system, where improvements allow greater opportunities for achieving regional cohesion. Infrastructure for accessibility did not always receive an adequate amount of resources, despite the needs of the region, but it remains a relevant issue in designing the regional development strategy.

**Table 3: Needs and imputed objectives for eight thematic axes**

THEMATIC AXIS		1989-93		1994-99		2000-06		2007-present	
		Needs	Imputed Objectives	Needs	Imputed Objectives	Needs	Imputed Objectives	Needs	Imputed Objectives
1	Enterprise	=	3	=	3	+	4	++	5
2	Structural adjustment (sectoral development)	++	5	++	5	++	5	=	3
3	Innovation	-	2	-	2	=	3	++	5
4	Environmental sustainability	=	3	=	3	++	5	++	5
5	Labour market/social inclusion	+	4	++	5	++	5	+	4
6	Community development	=	3	+	4	=	3	+	4
7	Spatial distribution of economic activity within the region	+	4	+	4	+	4	=	3
8	Infra-regional infrastructural endowment	+	4	+	4	+	4	+	4

Needs Scale (evaluation of the region at the start of the period)  
 ++ Very high need: the region is highly deprived on this axis  
 + High need: the region is somewhat deprived on this axis  
 = Average need: the region is around the national mean on this axis  
 - Low need: the region is above the national mean on this axis  
 -- Very low need: the region is already a European frontrunner on this axis

Imputed Objectives  
 5 Very high effort, this axis is a central aspect of the regional development strategy  
 4 High effort, this axis is an important element in the regional development strategy  
 3 Average effort, this axis is included in the regional development strategy but not particularly important  
 2 Low effort: this axis is only marginally considered in the regional development strategy  
 1 No effort at all on this axis

In sum, the first two programme periods (1989-93 and 1994-99) broadly addressed the needs of the region and facilitated economic catch-up. There was a clear policy goal to invest in infrastructure and improve accessibility, as a means of promoting social cohesion, business development and the attraction of tourism. However, in retrospect, the emphasis placed on transport investment, especially through multi-regional operational programmes and from domestic policy was insufficient. Limited airport connections are constraining the inflow of tourism, and the overall accessibility of the region is also undermined by not having a direct national railway line that connects Matera, with its world heritage tourist attractions, with Campania and Calabria (there is a limited connection to Bari, in Puglia). This is despite MOP Railways having identified the connection as an objective.

As the aims of Cohesion policy shifted to take more account of the Lisbon agenda through the introduction of priorities such as innovation, cities and environment, it seems at times to have distracted the region from its primary development needs. The region has had major problems investing in innovation because of a lack of dialogue between the existing research centres and SMEs, as well as a lack of human capital and cultural barriers. Also,



prioritizing cities may be an unrealistic goal given that Potenza and Matera are small cities. Lastly, the region's labour market does not have much ability to absorb highly qualified people, but rather there is demand for lower skilled labour. By contrast, environmental investments were much better aligned with the region's hidden potential. Basilicata was able to implement the concept of sustainability through the development of renewable resources, and a dedicated priority was to target the efficient use of natural resources, through waste and water management and energy efficiency.

### 3.3 Implementation factors that influenced programme strategies

The organisational/administrative factors that had implications for the implementation of the ERDF in Basilicata can be discussed according to the two main periods of 1989-99 and 2000-13. The 1990s were characterised by unitary coordination of the strategy and implementation of the Structural Funds and a modest level of financial autonomy for the region. This coordination was achieved through an *ad hoc* structure under the guidance of the Programming Department, namely the Steering Committee (*Cabina di Regia*) for managing the policy. The Steering Committee was created by the region: (i) to assure the administrative coordination of the activities of various departments involved in the implementation of the OPs; (ii) to overcome the lack of capacity in the regional administration; and (iii) to interface with lower levels of government. These arrangements worked well according to the ex-post evaluation by Ismeri-Europa (2002) who argued that 'Basilicata was the exception that proved the rule that an absence of a regional coordinating body hindered efficient regional programmes.'

Effective vertical and horizontal coordination was considered essential to the functioning of the whole organisation and was attained through an Interdepartmental Committee for Management Coordination (*Comitato Interdipartimentale di Coordinamento Organizzativo*, CICO), which comprised the general managers of each department and was directed by the general manager of the *Dipartimento Presidenza della Giunta*. In this context, the region remained the sole selector of interventions - according to the strategic guidelines suggested by the politicians - with local authorities, though able to express preferences and to strike agreements with the region, responsible only for implementation. In this way, the regional level had a pivotal role, seeking to implement a unitary and long-term strategy orientated towards regional needs and ensure that interventions were carried out in a timely manner.

Although some evaluations suggest that the early programme period was characterised by major administrative difficulties and capacity constraints due to a lack of programme management skills (ISMERI 1995), the analysis carried out in this study has revealed a different picture. Indeed, thanks to the previous IMP experience, Basilicata was able to implement administrative procedure (such as the possibility of integrating resources in a sole documents independently of their source of funding in order to maximize concentration and coherence of interventions), that allowed to region to manage the EU funding in a useful manner in relation to the territorial needs. At times, these procedures failed in achieving the desired integration and could, therefore, have been improved. The same conflicting findings emerge in relation to operational competences. Indeed, the ex-post evaluation (ISMERI, 2002) expressed a negative judgment, highlighting deficiencies in coordination, understaffing and inadequate professional skills. By contrast, the fieldwork

and deskwork conducted for this study, suggest that coordination was one of the main strengths of the Basilicata administration i.e. the role of the Steering Committee and the CICO.

The second period from 2000-2013 was characterised by a high level of political/administrative turnover, less unitary coordination of programme implementation and a higher level of financial autonomy for local actors. Under pressure from the decentralisation process started in Italy in 1990, and which culminated in 2001 in the reform of title V of the Italian Constitution, the 2000-06 programme period saw a greater involvement of local authorities and the emergence of development strategies at the local level. The 'Integrated Urban Development Projects' (*Progetti Integrati di Sviluppo Urbano*, PISU) and PIT were framed in this logic (see Section 5). However, whereas the lower level of government was strengthened in its management ability, the scope for municipalities to design and select projects undermined the unitary role of the region and the consistency of the strategy because of the municipalities' lack of long-term vision. There were eight PIT<sup>13</sup>, corresponding to the areas in which the region had been divided according to specific features, which some actors have defined as "too many areas compared to the small size of the region". These allowed 20 percent of the programme's resources to be allocated through a new governance model capable of coordinating the efforts of the territory around a shared idea of development, integrating ERDF, ESF, EAGGF funds.

There was conflicting evidence on whether the delegation to local authorities was helpful. Some of the opinions that emerged during the interviews with government officials and evaluators were positive, some arguing that the PIT were designed to gather local actors' preferences and needs through a bottom-up approach. But over a longer-term perspective, the analysis of documentation suggests that the use of the PIT led to a greater fragmentation of resources and less integration. Indeed, the PIT initiated a mechanism of territorial competition for accessing resources and brought forward the numerous and different request of funding from the local level. What was lacking was a coherent selection process. Instead, the funds were allocated throughout the territory reducing the concentration of resources.

In addition, the high turnover of managing authorities (four during 2000-06) and departmental managers jeopardised coordination in the programming and implementation stages. In relation to 2007-13, the broader regional reorganisation process also affected the programming department and the Managing Authority, which was given primary-level control duties. This implied that the ERDF Managing Authority paid more attention to expenditure control than to implementation of the programme. Also, the EU adoption of the mono-funds system led to a certain fragmentation of management and implementation arrangements, requiring separate authorities for ERDF, ESF and EAFRD, and which led to a transfer of competencies from regional council management to single departments: Agriculture in the case of EAFRD, and Culture, Education and Vocational Training for ESF.

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<sup>13</sup> Alto Basento, Bradanica, Lagomegrese Pollino, Marmo Platano Melandro, Metapontino, Montagna Materana, Val D'Agri, Vulture Alto Bradano.

## 4. EXPENDITURE ANALYSIS

This chapter builds on the review of programme strategies in the previous chapter to analyse financial allocations and expenditures, showing how the ERDF resources flowing into Basilicata were used. It provides, first, an analysis of expenditure in each programme period, clarifying whether the intended and actual strategies were reflected in the financial allocation and expenditure. It then examines expenditure trends depicting the level of concentration of resources at project level<sup>14</sup>. Lastly, financial allocations and expenditure are analysed by thematic axis.

### 4.1 Financial allocations and expenditure

#### *4.1.1 Financial allocations and expenditure at regional level by programme period 1989-2013*

Overall, allocated and actual expenditure of ERDF regional programme resources has generally been consistent with the four main recurrent themes in the region's strategic vision (see Section 3.1). In broad terms, the two programme periods 1989-93 and 1994-99 were characterised by a greater proportion of investment in the primary sector and investment in basic infrastructure. During 2000-06 and 2007-13, a higher proportion of ERDF resources was allocated to newer development activities (e.g. PITs, innovation for SMEs and energy renewal).

The main area of inconsistency between the ROP's strategic objectives and expenditure is accessibility, which received less funding than would have been expected given its importance. It should be noted that transport was a responsibility of cohesion funding managed at the national level (MOPs and NOPs) and, especially, of domestic public investment policy. However, the national EU programmes for road and transport infrastructures appear to have invested only limited amounts in Basilicata compared to the needs of the region. This is because the strategy in the transport programmes tended to reinforce the Tyrrenic axis, more than the Adriatic one. This orientation derived from many overlapping factors: strategic routes for TEN networks that by-passed Basilicata, more pressing gaps in provision elsewhere and greater renewal needs; and, often more politically relevant higher levels of demand for public services in more populous regions. On the Tyrrenic axis there is a greater concentration of population than on the Adriatic axis.

Over the period 1989-2013 an estimated €1.73 billion of EU funding was allocated to Basilicata under the regional programmes (actual expenditure, €2.66 billion), of which € 956.7 million was allocated under the ERDF (actual expenditure, €1.56 billion).<sup>15</sup> Although a

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<sup>14</sup> Final figures for the POP 1989-93 period are missing and the financial information for 2007-13 is less stable, as the implementation of the programme is still in progress.

<sup>15</sup> Basilicata, in line with Italian national practice, has followed a policy of 'overbooking' Structural Fund expenditure by declaring expenditure for operations in excess of the amount required to draw down the budgeted Structural Fund allocation. This effectively means that, in the event of declared expenditure being subsequently found to be ineligible and corrected, the member state will still have enough declared expenditure to draw down the full allocation of EU funding. Where such 'overbooked' expenditure exists, financial corrections can be made without a net impact to the

detailed breakdown of allocations under the National and Multi-Regional OPs is not available, it is estimated that the region received up to € 867 million in 1994-99 and €617 million in 2000-06 under national ERDF programme funding. However, the former figure includes sizeable expenditure for MOP Railways which was spent on improvements that are partly in neighbouring regions, so that it is a moot point whether it should be counted towards Basilicata's allocation. Of the total EU funding allocated to Italy for its Objective 1/Convergence regions, Basilicata received shares of eight percent in 1989-93 and 1994-99, five percent in 2000-2006 and two percent in 2007-13. A breakdown of EU funding allocated in each period is provided in table 4.

**Table 4: Regional programme funding allocations (€ mill, 2000 prices) in Basilicata, 1989-2013**

Programme	Period	€ ERDF	€ ESF	€ EAGGF	€ Total	
Plurifund Programme	Operational	1989-93	119.77	47.06	18.47	185.30
Plurifund Programme	Operational	1994-99	240.26	149.32	227.15	616.70
Regional Programme	Operational	2000-06	348.20	180.80	158.30	687.30
Regional Programme	Operational	2007-13	248.50			248.50

Note: see Annex II for detailed figures for each period.

*(i) 1989-93*

The 1989-93 POP had an initial financial allocation of €429.8 million, of which €185.3 million was EU funding and with ERDF accounting for 63 percent (€119.8 million) (see Annex II). The remaining funds came from national funding (€75.5 million), regional funding (€63.3 million), private funding (€93.0 million) and other local sources (€ 12.7 million). The figures for actual expenditure are much greater than the initial allocations, suggesting that there was a significant increase in the EU allocation over the period. However, there are concerns over the comparability of allocation data and actual expenditure data, and drawing conclusions about spending shifts during the period may not be valid. Nevertheless, using the actual expenditure data alone, it appears that spending was broadly in line with the stated strategy for the programme which focused on tourism and infrastructure. The exception was the relatively small amount spent on accessibility, as noted above; of €104.16<sup>16</sup> million for infrastructure, only €20.7 million was spent on road transport interventions, with the balance spent on basic and social infrastructures such as water and waste treatment as well as schools. At this level of spending, the ERDF could not be expected to do much to correct the deficiencies in the transport network. Although judgements on virement during the period need to be made with care, it does not appear that there was a major redistribution of resources among priorities, but there was a transfer of resources to more traditional actions, e.g. road infrastructure increased by

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member state's funding allocation, once the total amount of the corrections is less than the amount of the "overbooked" expenditure

<sup>16</sup> Summing both Priority 1 Communication and Priority 4 Support for infrastructure.

€16.4 million to €37 million, whereas spending on tourism was cut marginally from €129.3 million to €122.45 million.

(ii) 1994-99

The 1994-99 POP had a budget allocation of €1,197 million, of which €616.7 million was EU funding. ERDF accounted for €240.2 million<sup>17</sup>, equivalent to 39 percent of the programme (see Annex II). In this period, the weight of the EAGGF (37 percent) and ESF (24 percent) indicated the significance of the primary sector in the economy of the region and the strategic role given to enhancing human resources. Basilicata gained from a reprogramming exercise in 1998; it also received the highest per capita resources of all Objective 1 regions.

Most of the actual expenditure was (€244.9 million) water, energy and environmental infrastructure, eventually accounting for almost 40 percent of the ERDF contribution over the period, followed by transport expenditure (€144 million) which accounted for 20 percent. This was partially consistent with the strategy that identified “...*strengthening the transport system*” as the first priority of the programme. Investment in the productive sector and tourism accounted for the remaining spend. Comparing initial allocations with actual spend indicates significant shifts in priorities over the period, specifically an implicit strategy to spend less on innovative and soft interventions, and more on traditional and hard interventions. Thus, investment in tourism was significantly reduced (36 percent difference between intended and actual expenditure) in favour of road infrastructure, for which funds were almost doubled by the end of the period (from €67 million to €143 million). ERDF spending on the production sector involving generic aid to SMEs were doubled (from an original allocation of €58 million to actual spend of €116 million), while slightly less was spent on innovation (€19.5 million) than originally allocated (€21.5 million). Actual expenditure on school and hospital infrastructure was increased by almost 40 percent more than planned. In part, this reflected the need of the region to develop efficient social infrastructure but also an economic dynamic still based on public investment in construction, in contrast to an explicit strategy targeting the manufacturing sector.

The programme was revised in 2003-04 with an increase of resources through the performance reserve.<sup>18</sup> The significant financial allocation made the programme a much

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<sup>17</sup> The final expenditure of ERDF presented in Table 4.2 is double that of the initial allocation. This is because the CSF 1994-99 had a series of reallocations of resources among all the POPs. The first reprogramming took place in 1998. After 1998 other reprogramming moments among OPs took place until the closure of the programme. The 1998 reallocation of resources included the distribution of the resources that came from the 1995-98 indexing (€544 million) and the residuals of the CSF initial programming (€373 million); in addition to these previously not allocated resources the reprogramming included about 800 Meuro of structural funds to be redistributed across the 8 regions. At regional level, Campania, Puglia, Calabria and Sardegna lost resources, while Sicily, Abruzzo, Basilicata and Molise gained. Basilicata, Abruzzo and Molise were generally rewarded for their previous good performance in spending. This is confirmed by both evaluators of 1994-99 (Ismeri, 2002) and managing authority of the time (interview).

<sup>18</sup> The EC regulations for the use of SFs (Article 7 § 5 of Regulation 1260/1999) provide that an amount equal to four percent of the total resources of the Member States CSF 2000-06 (performance reserve) is set aside to be distributed after a mid-term review focusing on the effectiveness of the intervention, proper management and financial implementation. Italy ‘strengthened’ the Community mechanism by providing for a further six percent of resources to be set aside in order to improve the

more complex development instrument, although it was administered with improved management and monitoring systems of outputs and results.<sup>19</sup>

(iii) 2000-06

The financial resources for the Basilicata regional programme for 2000-06 were €1.467 billion, of which the EU allocation amounted to €348.2 million from ERDF (see Annex II) and a further €180.8 million under ESF and €158.3 million under EAGGF. In 2004, Basilicata received €105.3 million as a performance reserve, but this did not dramatically change the distribution of resources among priorities (see Annex II). The reallocation of funds from the performance reserve, brought the ERDF allocation up to €401.5 million, the ESF allocation up to €204.8 million and EAGGF allocation up to 178.8 million

During the 2000-06 programme period, resources were less focused on hard infrastructure and more on natural resources, SMEs and ICT. In part, this was consistent with the programme strategy, albeit that most resources were not assigned to the first and second objectives of the strategy - overcoming peripherality and the marginality of the production system<sup>20</sup> - but rather to the achievement of sustainable development and to the employability objective. In practice, *Natural resources and sustainable development* was allocated €102.9 million, confirming the attention paid to the enhancement of regional assets and the cross-cutting priority of sustainable development. This priority had both the highest initial allocation and the highest actual expenditure in the programme (€115.30 million). Resources for interventions related to *Local development system* (€81.9 million intended and €121 million actual expenditure) were allocated to enable the expansion,

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management and strategic efficiency of the administrations that implement the CSF. As a result, the total performance reserve amounts to ten percent of the programme resources for the 2000-06 period for all regions in aggregate (over €2,300 million of EU funds with the addition of national co-financing). For Basilicata, the initial allocation was €1,258 million, later increased by €437.5 million, meaning that it obtained a very high relative share of the performance reserve because it was able to satisfy all the relevant criteria) and the additional funds that were not used by the other objective 1 regions. In the current 2007-13 programme period, the Italian reward system aims to improve the quality and the availability of public services, a provision of key importance for citizens' wellbeing and relevant for regional policy actions. Specific targets have been set for the provision of public services, measured through 11 indicators in the areas of Education, Child and Elderly Care, Urban Waste Management and Water Services.

<sup>19</sup> The 'Department for Economic Development and Cohesion' (*Dipartimento per lo Sviluppo e la Coesione Economica*, DPS) encouraged the region to adopt mechanisms for the provision of reliable financial, procedural and physical data. The system was organised in two sub-systems: Database of projects (*Catasto Progetti*) and the 'Information System for Educational and Vocational Training' (*Sistema Informativo della Formazione e dell'Orientamento*, SIRFO). During the first stages, the region limited the use of technical assistance in monitoring in order to support a process of learning and *capacity-building*. In order to verify the efficiency, effectiveness and impacts of the ROP, a complete system of output and results indicators was set up. Nonetheless, these indicators were not systematically reported in the monitoring system with respect to the baseline values. This occurred because, first, the large number of indicators often compelled the final beneficiaries to fill in only the compulsory parts of the database, those connected to financial monitoring, with a consequent loss of information, and second, because the greater or lesser presence of data and analysis on a theme was biased by the requirement for thematic evaluations from the independent evaluator. Therefore, aggregated values on impacts are still partly lacking for actions that do not indicate the baseline and target values to be reached.

<sup>20</sup> Taking account of the NOP resources, the amounts going to accessibility were larger, though still not large enough to make a decisive difference.

diversification and internationalisation of the production system. However, at the end of the period, the actual expenditure did not match the initial plans, with resources spent on a rather vaguely defined ‘SME development’.

There was a notable transfer of resources during the period from interventions aimed at internationalising SMEs to industrial infrastructure (an additional €5 million) and the creation of tourism enterprises (an increase from €8.1 million to €30.5 million). This resulted from implementation of the PITs, which led to an increase in projects based on the assets of specific territories and also triggered some less traditional investments, such as territorial promotion. The priority *Network and Services* was allocated €77.4 million (actual expenditure €103.8 million); spending resources on this new priority, involving the development of soft networks (notably ICT), meant that much less was done to overcome the intra-regional infrastructural gap through road and rail investment. Lastly, ERDF contributed €26.7 million to enhancing education infrastructure, confirming its support for human resources.

(iv) 2007-13

The analysis of the consistency between programme objectives and expenditure for 2007-13 cannot be exhaustive, because the programme is still in the implementation phase and the allocations are likely still to vary. In this period, resources are more equally distributed among priorities, based on the aim of integrating the traditional ‘cohesion-oriented’ priorities and more contemporary innovation policy priorities.

The regional programme is mono-fund ERDF only, with a total initial allocation of €621.3 million (see Annex II), of which the ERDF community quota accounts for €248.50 million. The data confirm the relevance in the strategy of *Accessibility* connecting the region to the TEN-T corridors<sup>21</sup>, with an ERDF allocation of €38.2 million. *Energy and sustainable development* received the highest ERDF financial allocation of €61.3 million, thus reasserting the region’s commitment to the environmental protection sector. *Knowledge society* is second amongst the strategy objectives but fourth in terms of financial allocation, reflecting a medium level of adherence to the Lisbon Strategy. These initial allocations were subsequently amended in 2012 to assign less overall to accessibility, energy, urban systems and social inclusion, with more going to knowledge society and competitiveness.

Based on recent data provided by the Managing Authority and also confirmed by interviews, spending on *Competitiveness and internationalisation of enterprises* and *Social inclusion* is struggling to attain planned expenditure levels. In the first case, the crisis meant that firms have not been able to provide the co-financing required to obtain the resources. The inclusion in the OP of financial engineering instruments, in particular the regional guarantee fund, is intended to ease access to credit for SMEs. In the second case - *Social inclusion* - the reason for the difficulties is the lack of prior identification of possible

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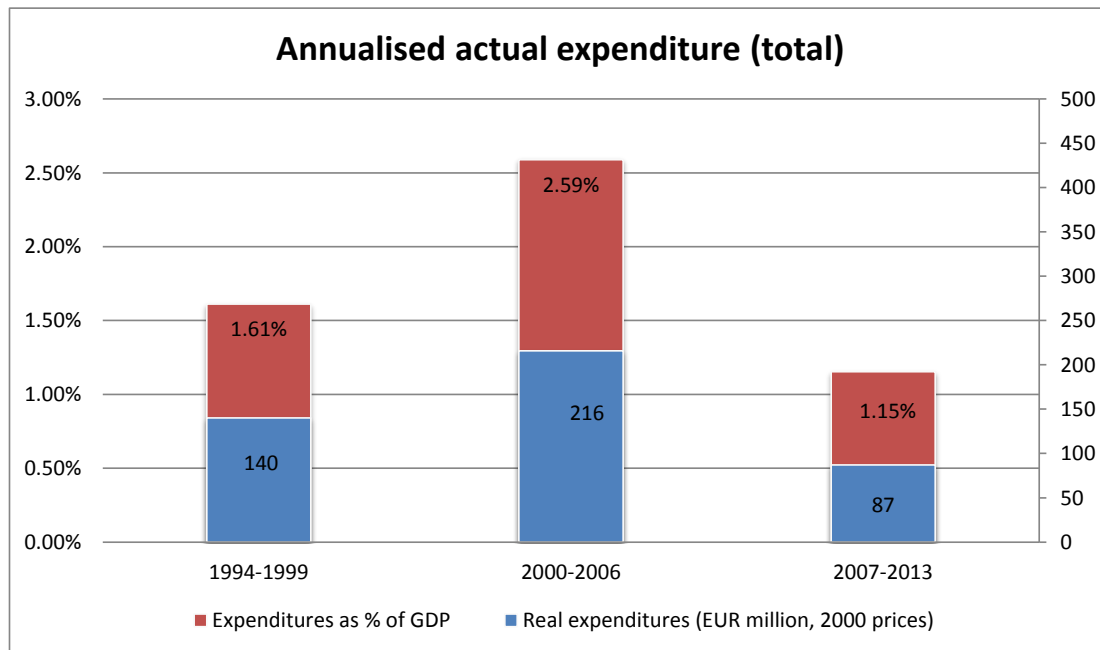
<sup>21</sup> Basilicata is developing two networks, one on the Tirrenic side and one on the Adriatic side of the region. Both of them have the main challenge of linking the cities (Potenza and Matera) with the industrial areas of Vulture and Metapontino.

interventions consistent with the regional welfare strategy. The aim is to respond to the needs of the region, but also to be sustainable from a management point of view in order to guarantee the continuity of the services over time (Regione Basilicata, 2009c:65). This points to a systemic difficulty in steering ERDF funds towards social sectors.

#### 4.1.2 Evolution of expenditure by projects and programming periods at regional level

The evolution of ERDF expenditure over the 1994-2011 period (earlier data for the 1989-93 period were not sufficiently reliable to include in this analysis) involved a rise from €869 million in the period 1994-1999 to €1.512 billion in the 2000-2006 period, falling in the 2007-13 period (total initial allocation of €621. 3 million) - all figures in 2000 prices. Figure 7 shows annualized expenditure, which ranges from €140 million per year in 1994-1999 to €87 million in 2007-2013. As a share of local GDP, expenditure increased from 1.6 percent (1994-1999) to 2.6 percent (2000-2006), decreasing again to 1.2 percent (2007-2013)<sup>22</sup>, following a similar trend as the evolution of real expenditure.

Figure 7: Evolution of annualised expenditure, 1994-2013



Source: Based on data analysis by project team on: POP 1994-99, Final Implementation Report (January 2005), p. 68; ROP 2000-06, Final expenditure, Regional Monitoring Database Extraction (31 December 2009) and related Programme Complements; OP 2007-13, Final expenditure, Regional Monitoring Database Extraction (31 December 2011).

The number of projects funded rose from 445 in the 1994-99 programming period to 1,534 in the 2000-06 programming period. The average size of projects undertaken has declined substantially, with actual spending per project falling from €0.35 million in 1994-99 to less than €0.1 million in 2000-06 (in 2000 prices). There are two main reasons for the smaller

<sup>22</sup> It should be noted that the 2007-2013 programme is still in progress, according to the project team estimation the final expenditure at the end of period should be around 1.5 per cent or regional GDP.



project size. One is the launch of the Territorial Integrated Projects (PIT) in 2000-06. Another is the larger volume of resources, which led to every county asking for a share of funds; the regional programme lost its concentration by trying to address all the local requests.

Spending per project increased greatly in the 2007-13 period (€1.2 million per project, with a total of 172 projects), although these figures may be misleading as the activities under this financing cycle are ongoing and information about the number and size of projects is incomplete. Across programming periods, there are also substantial differences in the average size of projects and variations in terms of size. In 1994-99, the expenditure for the largest project undertaken was 122 times higher than that of the average project funded. The extent of concentration seems to have declined substantially over time. Based on currently available data, in 2007-13 this ratio has been halved over 2.5 times, to a value of 30. . Table 5 presents this information for each of the four programme periods for which data are available.

**Table 5: Distribution of expenditure by projects and programme periods (constant 2000 prices, € millions, ROP only)**

	1989-93	1994-99	2000-06	2007-13
Total spent per programme period	n/a	691.93.51	905,200	204,1387.26
Total spent per year effective	n/a	92.94	92.71	129.09
Total spent under identified projects per period	n/a	629.16	927.12	213.11
No. of projects in total (identified projects)	n/a	1,781	10,742	172
No. of projects, average per priority (identified projects)	n/a	445.25	1,534.57	21.50
Average spend per project ('000, identified projects)	n/a	353.26	86.31	1,196
Concentration of spend (max value project to average)	n/a	121.91	n/a	29.75

Source: Based on data analysis by project team on: POP 1994-99, Final Implementation Report (January 2005), p. 68; ROP 2000-06, Final expenditure, Regional Monitoring Database Extraction (31 December 2009) and related Programme Complements; OP 2007-13, Final expenditure, Regional Monitoring Database Extraction (31 December 2011).

## 4.2 Expenditure compared with allocations

The analysis of expenditure under the eight thematic axes confirms the findings of the analysis at priority level for regional programmes. The analysis was undertaken by allocating each programme measure to one of the thematic axes. The analysis of both regional and national programmes covers the whole period from 1989 to 2011.

It should be noted that allocation data are available only for the regional OPs; the national programmes do not state ex ante the level of investments in a region (see Chapter 1). As a consequence, it has not been possible to compare planned and actual spend in Basilicata through the MOPs and NOPs. Furthermore, the data for 1989-93 are unreliable given the limitation of the monitoring system in that period (see Section 5.1).

#### ***4.2.1 Analysis of allocations and expenditure by thematic axes across regional programmes***

Figure 8 reaffirms, first, that actual expenditure was largely consistent with the stated programme strategies (discussed above) in all the programme periods, and, second, that there has been a shift over time from hard interventions (such as infrastructure) to the 'soft' axes such as environment and innovation. This is particularly evident in the analysis of the 1994-99 and 2000-06 periods. Indeed, the former is characterised by a high level of concentration of resources on infrastructure in the form of roads, social facilities and basic service (e.g. water networks) construction, whereas in the latter expenditure for infrastructure has decreased with a significant share of resources targeting environment and soft infrastructure in the field of ICT (€88.3 million of combined EU/national funding, some 30 percent of the total expenditure on infrastructure).

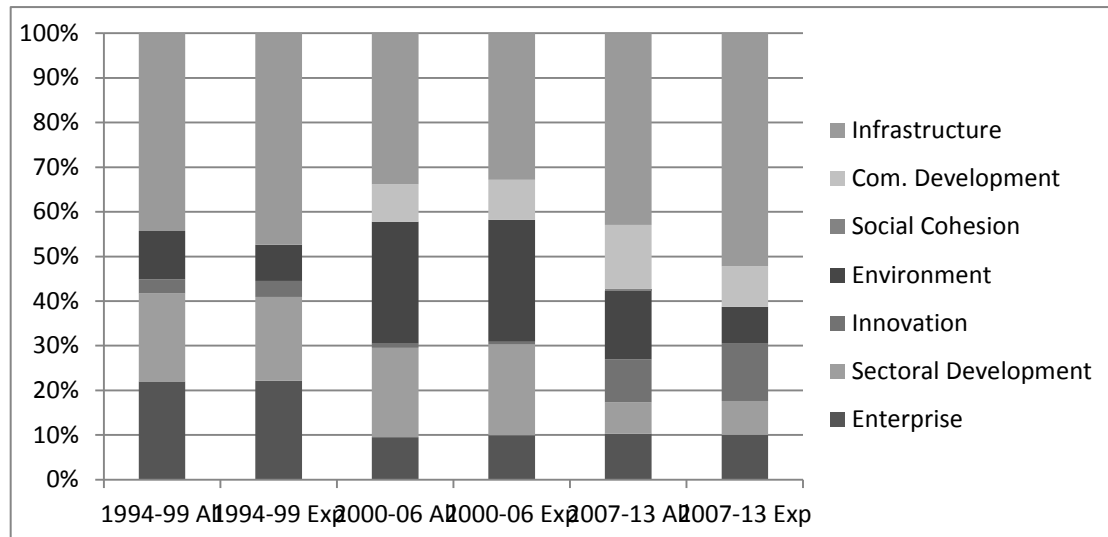
The relatively high expenditure on enterprise in 1994-99 compared to 2000-06 is, however, potentially misleading. The bulk of the investments were not awarded to enterprises to improve production, but were mainly allocated to firms to improve access services; examples include equipping industrial areas with roads, water supply, access to energy and telephone networks. In comparison, the 2000-06 programme, which seemed to provide less support to the enterprise axis, actually channelled aid to SMEs through the environment axis, allowing firms to raise environmental and quality standards. Overall, this explains why environment was allocated a high level of funds during this period and why it was subsequently reduced in 2007-2013. Once again, this apparent reduction is misleading, because investments in environment are now integrated with the innovation and enterprise axes.

The shift from hard to soft interventions is visible in the spending on sectoral priorities. With respect to tourism this shift was significant both in 1994-99 and 2000-06. Indeed, even though the focus of the two periods was on tourist facilities, in both periods (particularly in 2000-06) there was major investment in marketing and promotion of the territory. In 2007-2013, the resources for tourism were reduced, but still the funds have been channelled toward soft intervention in the field of community development and social cohesion axes, intended as actions to support culture and health sectors in the two main cities of the region.

A similar shift can be noticed in the innovation sector. Even though allocations and expenditure for innovation in 1994-99 were higher than in 2000-06, these were mostly for physical investments, such as research centres rather than research projects and SMEs innovation. In 2007-13 the focus has moved to supporting SMEs innovation and increasing the link between research centres and enterprises. This is justified by the change in status of the region (from Objective 1 to Phasing-out). It is clear therefore that over the time soft interventions have become more significant. Nevertheless, in the current programming period 2007-13, in line with the strategy of improving internal and external accessibility of the region, the allocation for transport - and therefore hard interventions - has risen again, with a concentration of resources on two main corridors to connect the region externally. There were, as noted above, quite large shifts in the allocation of funding as the programme progressed. In particular, substantially more money was allocated to the

knowledge economy and competitiveness themes, while big cuts were made to the support for urban systems and energy and sustainable development axes.

**Figure 8: Allocations and expenditure by thematic axes across regional programmes (expressed as percentages)**



Source: Based on data analysis by project team on: POP 1994-99, Final Implementation Report (January 2005), p. 68; ROP 2000-06, Final expenditure, Regional Monitoring Database Extraction (31 December 2009) and related Programme Complements; OP 2007-13, Final expenditure, Regional Monitoring Database Extraction (31 December 2011); Note: 'All' of the bottom of each right side column means allocation (public funds: national and European quota).

#### **4.2.2 Analysis of expenditure by thematic axes across national ERDF programmes**

Basilicata's development has also benefited from EU funding through national programmes, although the data do not allow much regional analysis. Data are not available for the MOP 1989-93. The 1994-99 MOPs and 2000-06 NOPs were sectoral programmes and did not state ex ante the level of investments in a region; instead, they allocated resources to sectoral projects considered strategic for the national level. In 2007-13, the region is not receiving funding from NOPs.

Financial allocations and expenditure for Basilicata were estimated from detailed examination of the MOPs and NOPs, in an attempt to establish which projects were of benefit to Basilicata. This is inevitably a rather imprecise exercise, especially where specific projects affect more than one region. Ex post evaluation evidence also provides some information on some of the 1994-99 national programmes such as the MOP Industry, Craft and Services and MOP Tourism.

From the partial set of national programmes examined, most of the expenditure was on enterprise and local development<sup>23</sup>. The MOP/NOPs for business had the highest levels of

<sup>23</sup> Quantitative analysis has been carried out on MOP 1994-99 and NOP 2000-06 as whole, through the expenditure data set provided by the DPS, whereas Qualitative analysis has been carried out on the following list of MOP 1994-99 and NOP 2000-06 according to the availability of the programming

expenditure in Basilicata in both periods, 1994-99 and 2000-06 (see figure 9). Investment in transport infrastructure was lower, and widely considered 'marginal' by interviewees compared with the region's needs. The strategy of the NOP did not aim to reduce the infrastructure gap, but rather to strengthen Italy's strategic transport junctions in other regions, such as, Naples- Rome railway (Tyrrenic side - Campania)); Bari Airport, Bari Port and Bari Taranto railway (Adriatic side - Puglia), interventions in Sicily such as Catania airport and port; Salerno (Campania) - Reggio Calabria highway), with the result that the critical territorial situation was neglected.

The 1994-99 period provided a low level of investment in sectoral development, because tourism was mainly assigned to the POP, and also because the MOP Tourism encountered major implementation problems, as reported by the ex post evaluation of the national CSF (Ismeri Europa, 2002). These problems were mainly related to the lack of a coherent programming strategy for the MOP. Indeed, there was no clear strategy for tourism at national level. Also, the programme operated in fields where the greater part of administrative responsibilities were still at regional level and the capacity of the National Ministry to select projects and coordinate actions was weak (Ismeri, 2002:60).

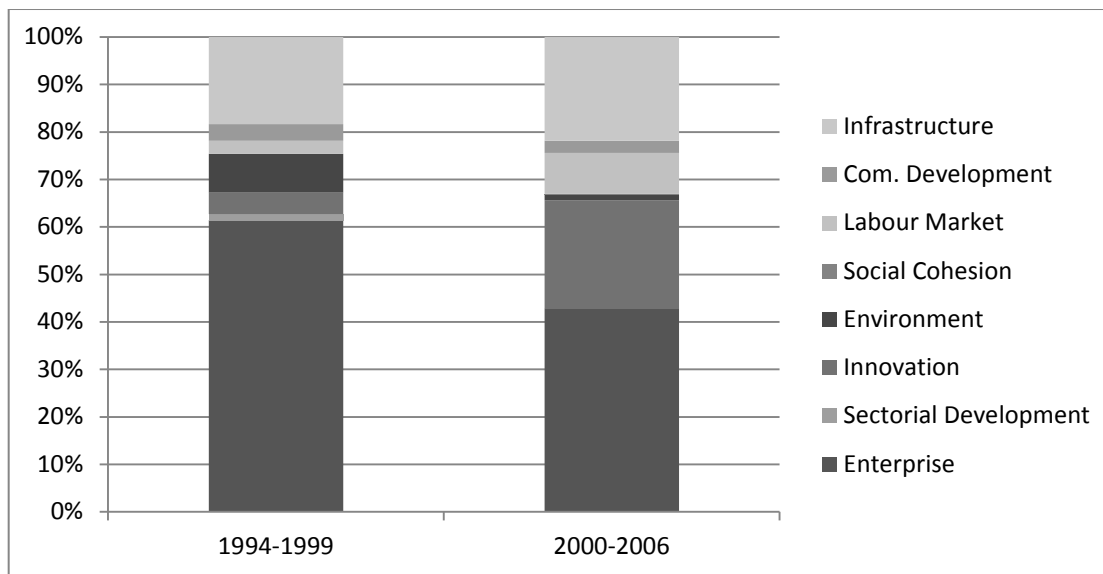
Both periods have a portion of expenditure dedicated to the labour market axis, targeting women and young people through aid and incentives for their involvement in entrepreneurial activities. The 2000-06 NOP shows a greater level of expenditure on that theme, demonstrating a clear ability for better targeting of different segments of beneficiaries (Ismeri Europa *et al.*, 2005b).

Finally, the central level has paid particular attention to innovation, with Basilicata being particularly dynamic in comparison with other southern regions in applying for national grants in the field of strategic R&D projects. Indeed, when comparing for each region the share of resources of the NOP Research 2000-06 to support enterprises' R&D with the level of the regional GDP (1999-2004), Campania and Basilicata report the highest intensity of R&D investments equal to 0,1 per cent, with Sicily and Apulia between 0,1 and 0,05 per cent and Sardinia and Calabria to less 0,05% (Ismeri Europa *et al.*, 2005a).

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documents provided by Managing Authorities and the responsible ministries: MOP Energy 1994-99; MOP Railway 1994-99; MOP Civil Protection 1994-99; MOP Research 1994-99; MOP Road 1994-99; NOP Research 2000-06; NOP School 2000-06; NOP Local Development 2000-06; NOP Transport 2000-06.

**Figure 9: Expenditure by thematic axes across national programmes in Basilicata (expressed as percentages)**



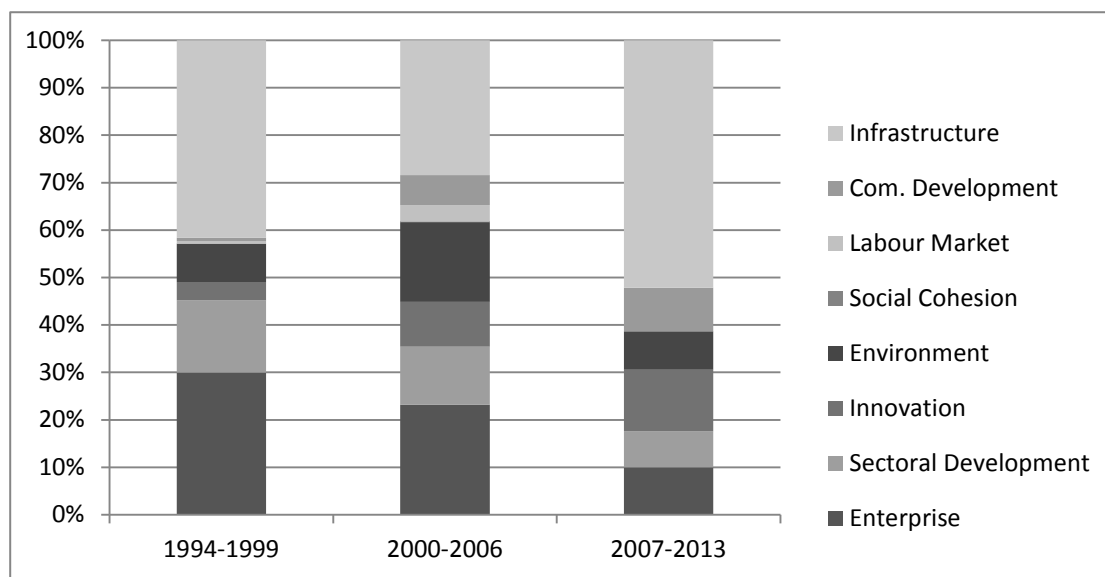
Source: Project team analysis based on MOPs 1994-99 expenditure data base and NOPs 2000-06 expenditure data base provided by DPS.

### 4.3 Conclusion

Overall, as illustrated by Figure 8 and Figure 9, the targets of expenditure of regional and national programmes tended to overlap, often investing in the same axes, with the POP 1994-99 replicating the wider national strategy and characterised by a strong emphasis on basic services infrastructure, whereas the 2000-06 period was characterised by a higher level of complementarity with national programmes. In some cases, when the ROP 2000-06 did not invest in specific axes, the NOPs compensated for this lack of funding, for example in innovation or industrial policy for business sectors, and vice versa in the case of environment. A striking example is the MOP *Industry* for 1994-99, which financed interventions similar to the ones already active in the region. Therefore, the potential POP beneficiaries of these similar actions addressed their attention to the MOP instruments. This freed possible resources to the regional programme, but the Managing Authority was unable to reallocate resources to alternative actions. This was due to the lack of flexibility in changing the programme and an apparent inability to identify new approaches.

In contrast, during the 2000-06 period, the resource allocation for firms among NOP and ROP was more consistent. Indeed, sizeable resources for business came from the NOP Local Development, amounting to €234 million, almost equal to half of the ROP allocation. This high amount of national resources was justified since the NOP was set up to establish the industrial policy of the country. As observed by the independent interim evaluator of the 2000-06 programme (Ernst & Young, 2005), the regional decision makers were well aware of the NOP aim. Therefore, it was decided from the outset to reallocate POP resources from industry to other priorities, such as environment. These environmental actions included communication and public awareness among the population.

**Figure 10: Expenditure by thematic axes across programming periods for both regional and national ERDF programmes (expressed as percentages)<sup>24</sup>**



Source: Based on data analysis by project team on: POP 1994-99, Final Implementation Report (January 2005), p. 68; ROP 2000-06, Final expenditure, Regional Monitoring Database Extraction (31 December 2009) and related Programme Complements; OP 2007-13, Final expenditure, Regional Monitoring Database Extraction (31 December 2011); MOPs 1994-99 expenditure data base NOPs 2000-06 expenditure data base provided by DPS.

It is important to bear in mind that Basilicata is one of the *Mezzogiorno* regions that maintained a good level of absorption of funds (55.7 percent of the funds were committed at 31 December 2011 and 32.8 percent of the funds had been paid out),<sup>25</sup> and a year later the commitment rate had risen to 74 percent and payments had reached 44.4 percent. It should, though, be noted that the delay in implementation at the beginning of the 2007-13 programme period has limited achievements. The delay was caused by a series of factors. First, the delayed closure of the 2000-06 programme period due to the economic crisis placed substantial pressure on the administrative capacity of the region, by then simultaneously implementing Objective 1 programme and a phasing-out programme. Linked to the crisis, the severe credit crunch affected the private sector, reducing its ability to provide co-financing.

In addition, the exclusion of the region from NOPs and the vacillations in domestic policy support (which became refocused on crisis management), hindered the region in the transition. The loss was both in terms of resources and learning from central government authorities, as well as other regions at the periodic national ‘consultation tables’, although it should not be forgotten that Basilicata continues to receive substantial funding from the ESF. In this respect, the smaller guidance role played by the *Dipartimento per lo Sviluppo e la Coesione Economica* and the stronger political role of the central administration through the ‘Inter-ministerial Committee for Economic Planning’ (*Comitato Interministeriale per la*

<sup>24</sup> It has to be mentioned that during the current programme period 2007-13 Basilicata region is not receiving funds from the national community programmes.

<sup>25</sup> Calabria 16.29 percent, Campania 12.5 percent, Puglia 22.7 percent, and Sicilia 12 percent (Data IGRUE at 31 December 2011).

*Programmazione Economica*, CIPE) in the allocation of additional resources, often left the region without funds to initiate projects. Moreover, the requirements of EU control procedures placed additional pressure on the regional administrations. Finally, a high level of turnover in departmental management at regional level also delayed implementation.





## 5. ACHIEVEMENTS ANALYSIS

This chapter presents the analysis of achievements at programme-level and under the thematic axes. It draws on information reported in the annual and final reports of the programmes, further investigation of actual achievements through interviews, additional data and document collection and an online survey. The judgements reached are based on a triangulation of results from these different sources. The following sections provide an analysis of the achievements for each programme period and classified according to the thematic axes. Later sections review the complementarities and synergies with other EU-funded programmes and with domestic programmes.

### 5.1 Reported and actual achievements

#### 5.1.1 Programme-level achievements

During the 1989-93 programme period, reporting focused mainly on financial progress rather than on results. There is a lack of both primary and secondary sources, limiting the scope for aggregate assessment of the reported achievements of the programme, such as changes in the level of accessibility and mobility in the region, associated trends in tourist numbers, and the added-value generated by the development of the tourism sector. These are issues common to all of the Italian Objective 1 programmes at this time (ISMERI Europa 1995). Programme documents report only physical outputs such as kilometres of roads or the number of new accommodation establishments created (see Table 6). Implementation reports focus mainly on progress with the management of the programme, and there was no region-specific ex post evaluation analysing achievements.

However, the final implementation report does provide some data on kms of roads built; the number of firms involved in the craft sector and industrial areas; the number of new beds and change in tourist numbers; basic infrastructure, by counting kms of water networks built; and research and innovation investments by firms, but mainly the construction of research centres (Regione Basilicata 1997a). Indirect conclusions can be inferred from evaluations of the CSF which report on the achievements and failures of EU funding in the *Mezzogiorno* more generally during the 1989-93 period (e.g. ISMERI 1992, 1995; Nomisma 1992).

There was considerable investment from both the POP and multi-regional programmes in water supply and waste water treatment - and some indication of the impact is provided by the large numbers of people benefiting from water purification and sewage treatment investments (see table 6). But the consensus from the interviews is that the improvements to the road network (a crucial requirement for the strategy) were minimal. More significant, in the view of interviewees, were the improvements in the tourism sector, also a strategic priority, where 2,200 new bedspaces were reported as being created in the region. The development of tourism-related skills in the labour market was also noted. Although a large number of artisan firms were assisted with support, less progress than anticipated was made in exploiting the tourism potential of the artisan sector. With respect to impact, the general conclusion of the CSF evaluation was that, across the

Mezzogiorno as a whole, “the gap in the number of employees in the touristic field has [not] been reduced” (ISMERI 1995: 149).

**Table 6: Outcomes by thematic axis for programme period 1989-93 (no baseline available)**

Thematic Axis	Outputs and Results (R)
<b>Infrastructure</b>	
Road and transport	
• km of new road	18
• km of restored road	16
Water networks	
• km of aqueduct	105
• km of water networks	70
Sewage systems	59 new sewage pipes for a total of 134.9 km; 92,768 people covered.
Purification plants	10 purification plants serving 77,086 people. Built irrigation canals that serve 1,000 sq km.
<b>Structural Adjustment/ Sectoral Development</b>	
Tourism sector:	
• No of new bedspaces	2,200
• No of jobs created	190 (R)
• No of tourism roads built	11
• No of wooded areas restored	11
Natural resources	
• No of natural park created	1
• No of restoration projects of requalification in small towns and historic village centres.	10 (including restoration of Lagopesole Castle and <i>Sassi di Matera</i> )
Agriculture/ tourism	
• No of agri-tourism initiatives	65
• No of new bedspaces	360
• No of restaurants	14
• No of shops for typical products	4
Artisanal activities:	
• No of artisan enterprises assisted	8,757 (incentives, loans and guarantees).
• No of workers employed by the firms supported from the interventions.	1,797 (R)
<b>Innovation</b>	Completion of Matera Spatial Geodesia Centre. Completion of Astronomic Observatory. Realisation of Laboratory for synthesis of materials, University of Basilicata and Ispra.
<b>Labour market and human capital</b>	
• No of participants in training courses	4,800 (of which 700 in tourism sector)
• Participation in professional training	Increase of participation of employed people in training courses from 22 to 49% of the workforce (1989-93.) (R)
<b>Social inclusion</b>	No specific outcomes.

Sources: Team elaboration on Final Implementation Report POP 1989-93, Regione Basilicata 1997, and 1989-93 CSF Italian Objective 1 ex post evaluation (Ismeri Europa, 1995).

The region's own assessment was that total ERDF interventions (POP and MOP) supported job creation/maintenance in SMEs employing 1,797 workers (although the direct effect of the interventions was not quantified, nor the meaning of 'job maintenance'); it also noted that the business aid had been awarded indiscriminately in order to ensure their survival and reduce unemployment (Regione Basilicata, 1997a:85). The funding of inappropriate SME projects - both grants for SMEs and support services - due to poor selection procedures was echoed at CSF level, drawing on evidence from other *Mezzogiorno* regions (ISMERI 1995: 155).

### The 1994-99 period

In the 1994-99 programme period, a new monitoring system of financial and physical indicators of outputs and results was available,<sup>26</sup> established towards the end of the 1989-93 period to gather information at the measure-level for each intervention (Regione Basilicata, 1997a:73). However, the system mixed up outputs and results, and impacts were not included. Indicators appear to have been defined and interpreted inconsistently. Further, monitoring was not always undertaken systematically, so that the outcomes data are, in part, indicative as to programme achievements (see table 7), but they did provide a much better base for ex post evaluation (ISMERI 2002).

- The reported programme achievements with respect to road-building were much greater than in the 1989-93 period, although underachieving relative to planned construction (148km of roads built compared to a target of 244km). As the independent evaluator of the CSF 1994-99 pointed out, the new roads built in Basilicata under the priority *Communication* contributed only a 1.4 percent increase in the regional stock of road infrastructure - although it appears to have had a strong strategic focus on TENS (Ismeri Europa, 2002:162).
- The targets set in the ROP for the improvements of basic services (water and waste systems, school and health infrastructure) were almost reached, increasing the share of population reached by basic services and indirectly contributing to the amelioration of their living conditions. Of 31 planned water collection systems, 24 were completed. 201km of water distribution networks were constructed as well as a pumping station. Sixty-eight of the 84 planned kilometres of sewage system were put into service, one new waste treatment plant and 18 new waste-management facilities were constructed, while 16 existing facilities were either enlarged or restructured. 56 purification plants were constructed out of the 59 planned. In the healthcare facilities sector, 279 new hospital beds were created as well as equipped health-care centres totalling a surface area of over 6,000 sq m. Twelve new specialised centres were built and 15 were

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<sup>26</sup> The improvement of the monitoring system occurred for two reasons: first, at national level, the 'National Accounting Department' (*Ispettorato Generale per i Rapporti Finanziari con l'Unione Europea*, IGRUE) required in 1998 the specification of a coherent set of physical indicators to measure CSF performance; and second, after the 1989-93 experience, a decision was taken to make implementation bodies fill in special cards, which would also have a certifying value, for each type of intervention.

modernised. Unreported in the secondary sources, an important healthcare facility was built in Matera, correcting a previous deficiency.

- The number of tourists was on average ten percent lower than expected, but across the whole programme period tourism services still grew at an annual average of 3.1 percent (Ecosfera *et al.*, 2000:92).

**Table 7: Outputs by thematic axis for the regional programme, 1994-99 (Quantified targets were not set for some interventions)**

Thematic Axis	Target	Achieved	Percentage planned/achieved
<b>Infrastructure</b>			
Road and transport system:			
• No of interventions	87	73	84%
• Km of road network	244	148	60%
• No. of viaducts	55	19	35%
Water networks:			
• No water collection systems	31	24	77%
• Km of water supply networks		201	
• No pumping station		1	
Sewage systems			
• Km of sewage system	84	68	81%
• No. of waste treatment plants		1	
• No. of waste management facilities built	19	18	94%
Healthcare facilities			
• No of specialised centres built	12	12	100%
• No of modernised centres	15	15	100%
• No of new hospital beds	891	866	95%
• No of new hospital equipped healthcare centres		279	
• Sq m of new hospital equipped healthcare centres		6,000	
No of Purification plants	59	56	95%
<b>Structural Adjustment/ Sectoral Development</b>			
Tourism sector:			
• No of restoration interventions	30%	22	73%
• No of mountain areas with facilities	13	8	53%
• No of tourists	96,750	81,550	
Artisanal activities:			
• No of new manufacturing areas	16	10	75%
• No of restored manufacturing areas	16	16	100%
<b>Enterprise development and spatial distribution of economic activity within the region</b>		948 SMEs projects received ERDF support.	
<b>Innovation</b>		Infrastructure for public and academic research. Support to University of Basilicata, €60 million invested in laboratories. 2,410m <sup>2</sup> of research centre were realised	
<b>Labour market and enhancement of human capital</b>		60,000 students 'affected'. 90% of enrolled students completed their course.	

Sources: Final Implementation Report POP 1994-99, Regione Basilicata (2005) and Ex post Evaluation Basilicata POP 1994-99 (Ecosfera *et al.*, 2002).

- Aid for SMEs supported 948 projects across industry, craft and business enterprise, mainly for expansion and modernisation activities, and was reported to have led to the net creation of 2,329 jobs (Regione Basilicata, 2005). Nonetheless, considering that one

of the main goals of the strategy was the broadening of the industrial base, the programme partly failed; of the total number of firms financed, only 22.6 percent represented new entrepreneurial initiatives. A positive impact was the growth in productivity (+32 percent over seven years) (Regione Basilicata, 2005). In this regard, the programme achieved real change to which the investments in human capital appear also contributed. The number of training courses for SMEs targeting employed people in Basilicata was proportionally higher than other Objective 1 Italian regions, covering 25 percent of the workforce, compared with under 20 percent in Calabria and Sicily, confirming the crucial role of human capital development in the programme strategy (Ismeri Europa, 2002:101).

The overall impact of the CSF (MOPs as well as the ROP) in Basilicata during 1994-99 was estimated at 4,806 new 'permanent' jobs<sup>27</sup> and 8,380 'temporary' jobs (defined as employment linked to the delivery of interventions/projects such as construction jobs), according to the ex post evaluation (ISMERI 2002). Although hedged with uncertainties about the data, the evaluation concluded that the funding had not resolved or significantly reduced employment problems in the Mezzogiorno as a whole, but had made a major contribution to ameliorating social problems associated with unemployment (*Ibid*: 159). Exports from the Mezzogiorno rose faster in the 1994-2000 period than from the rest of Italy, allowing the south of the country to maintain its share of national GDP.

Yet in a number of respects, Basilicata stands out from its peer regions. Ismeri-Europa (2002) attributes the export achievement to gains in the refined energy sector and the production of the Fiat plant in Basilicata. The relative improvement in Basilicata's GDP per capita compared with all other regions covered by the Italian CSF is also striking, as it converged from 69% of the national average to 75%, whereas the relative positions of the other regions changed only minimally. The evaluation notes a similar relative achievement in job creation, and argues that the relative concentration of resources in Basilicata (along with Molise) was a critical advantage.

### **The 2000-06 period**

Turning to the achievements in the 2000-06 period, it is important to note that EU anti-crisis measures extended the use of the 2000-06 funding to 30 June 2009. The analysis therefore concerns a period of almost ten years, during which significant economic changes took place. The output data (see table 8) point to notable achievements in improving ICT infrastructure. Compared with neighbouring regions, Basilicata today is ranked among the leading regions in southern Italy with regard to reduction of the digital divide. Basilicata had 92 percent of municipalities and 85 percent of the population with ADSL connection in 2006 (23.6 percent in 2002), compared with a national figure of 90 percent (25.2 percent in 2002). Yet despite the availability, internet use in Basilicata remains low, trailing behind the Mezzogiorno average for households (33% compared with 36%) and more so for businesses (17% and 22%), and significantly below the corresponding Italian averages

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<sup>27</sup> Of which a sizeable number came from increases in employment in firms assisted by MOP Industry, although the data are not directly comparable with the CSF evaluation.

(Regione Basilicata, 2011c). The lack of SME take-up can be blamed partly on neglect of this dimension of ICT in the programme effort and focus.

ERDF interventions again undoubtedly improved the internal road network in a way that underpinned territorial cohesion, but having started from a low base the level of mobility and the external accessibility of the region remain disappointing, although the main reasons was insufficient support from domestic policy. Measured on an index of accessibility, based on journey times and safety according to a scale with a maximum of 100 points, Basilicata scored 57 slightly more than half of the national average (Regione Basilicata, 2011).

During this programme period, the number of firms achieving quality standard certification was reported as rising by 185 percent among those benefitting from aids, a precondition for innovation likely to enhance access to new markets. There was also progress with environmental sustainability, stimulated by the *Natural Resources* priority, in the form of a 200 percent increase in firms obtaining environment certification, supported by ERDF. In addition, under the *Local system of development* priority, the added value for each worker grew by almost 25 percent and 2,659 new jobs were recorded as being created (Regione Basilicata, 2011). This can be viewed even more positively if one considers that, in the economic crisis after 2007, ERDF funding was often used to help safeguard jobs rather than creating new ones. The crisis has also been behind the low level of creation of new economic activities at the end of the programme period.

The tourism sector was less affected by the crisis and it improved over successive periods, even though the internal areas remain less attractive than the coast. During the 2000-06 period, the tourists expected were 293,000, whereas the actual inflow was 425,000, representing 145 percent of the target, albeit many were from nearby regions rather than from abroad (Regione Basilicata, 2011). Between 1999 and 2008 Basilicata reported an annual trend growth of five percent of tourist inflows, higher than the national average of 3.4 percent (Regione Basilicata, 2008). Given that it was the main source of funding for the development of tourism, these are substantial achievements of cohesion policy.

The overall impact of the various cohesion policy programmes implemented in Basilicata (ROP and NOPs) can be summarised through the lens of its four main objectives, drawing on fieldwork research as well as the intermediate evaluation (Ernst & Young 2003 and 2005) and some coverage of Basilicata in the ex post evaluation relating in particular to transport, environment and demography.

The first major reported achievements relate to sustainable development, mainly involving improved water cycle and waste management as well as energy efficiency leading to an overall improve in citizens wellbeing (examples are a 13 percent increase in population with sufficient water availability, approaching full coverage, and savings in energy use of up to 11.6 percent) as well as raising the environmental standards of SMEs (Regione Basilicata, 2011; Ernst & Young, 2005).

Shorter transit times between mountain communities and primary road links have resulted in improved social cohesion and community development. Also, the interventions implemented have contributed to reversing the poor attractiveness of some areas, and

possibly in mitigating emigration (IRS and CISL, 2009), while the development of immaterial infrastructure (ICT) has favoured business accessibility. With respect to enterprise development, a survey of business aid found *"positive effects on turnover and production capacity, less significant effects on competitiveness"* (Ismeri et al, 2010).

Achievements in the areas of human resources and employment are less clear. The region claims that 2,659 jobs were created, but there is no information about their permanence (Regione Basilicata, 2011). This was mainly due to the fact that the programme aimed at containing unemployment and raising awareness on gender equality, rather than creating new jobs. One result is an increase in female entrepreneurial activities as well as employment. Indeed, the gender gap in the unemployment rate decreased to -7.3 percent in 2006 compared to the initial value of -13.5 percent in 2000 (IRS and CISL, 2009)

**Table 8: Outputs by thematic axis for the regional programme, 2000-06 (Quantified targets were not set for some interventions)**

Thematic Axis	Planned	Achieved	Percentage of planned/achieved
<b>Infrastructure</b>			
Road and transport system:			
• No of projects	95	137	144%
• Km of infra-regional road network	717	968	135%
• Km national road.		13	
Soft infrastructure and ICT:			
• No of networks link	136	136	100%
• No of public bodies connected	190	609	320%
• % of the population with ADSL coverage	49%	85%	173%
• No of PCs installed.		60,701	
• No of marketing action;		156	

**Table 9: Outputs by thematic axis for the regional programme, 2000-06 (Quantified targets were not set for some interventions)**

Thematic Axis	Planned	Achieved	Percentage of planned/achieved
• No of exhibition and cultural performance;		227	
• No of interventions to render cultural heritage accessible;		115	
• No of visitors	293,000	425,00	145%
<b>Enterprise development</b>			
• No of infrastructural interventions for industrial and manufacturing areas		82	
• No of enterprises involved		15,00	
• Certification of quality standard for SMEs		+185%	
• Added-value for workers		49.6%	
<b>Innovation</b>			
• No of enterprises involved		611	
• No of Technology transfer initiatives		11	
• No of enterprises involved in the public private project		100	
• No of research project		3	
• No of universities involved	2	10	

**Table 10: Outputs by thematic axis for the regional programme, 2000-06 (Quantified targets were not set for some interventions) Continued**

Thematic Axis	Planned	Achieved	Percentage of planned/achieved
<b>Environmental sustainability</b>			
<b>Water networks</b>			
• Km of water network maintenance in order to reduce water losses		63	
• Reduction of families subject to water supply interruption	14.50%	7.9%	54%
• Km of new water network constructed	250	206	82%
• Increase in population with sufficient water availability	14.3%	13.65%	95%
• No of users	100,000	42,000	42%
• No of water purification interventions		40	
• % of Purified water		68%	
<b>Sewage systems</b>			
• Km of sewage systems		294	
• No of waste management facilities built		17	
<b>Energy</b>			
• Saving of energy (%)	12.5%	11.63%	93%
• No of interventions aimed at improving energy efficiency		7,460	
• Km of energy networks.		809.5	
• Reduction of power failures (%)	35%	79%	225%
• Reduction of power cuts duration (%)	54%	35%	65%
• Kw of photovoltaic systems.		1,538	
<b>Labour market and qualification of human capital</b>		2,659 jobs created (no information on their sustainability).	
<b>Social inclusion</b>		11 reception and help centres. 20 NGOs supported.	

Source: Final Implementation Report ROP 2000-06 (Regione Basilicata, 2011).

### The 200-13 period

The monitoring system for the 2007-13 programme period was described by the region as ‘a potential best practice that might be replicable in other regional administrations’ (Regione Basilicata, 2011a). Now well established, the regional monitoring system feeds information into a central database that contains (financial, physical and procedural) implementation data, aimed at facilitating an effective flow of information between the regional bodies in charge of the OP implementation, control and evaluation, as well as EU standards. The system includes the following sets of indicators: (i) contextual indicators at programme level to provide a basis for macro-economic impact of the OP; (ii) financial, physical and output indicators,<sup>28</sup> referring to different levels of the priorities; (iii) a set of indicators aimed at measuring environmental sustainability; and (iv) 18 of the 41 core indicators recommended by the European Commission. Based on examination of documents, the indicators appear to be effective when it comes to identifying possible progress in the reduction of the region’s marginalisation, although in various instances they might benefit from further quantification in the areas of baseline values and expected results.

<sup>28</sup> These appear to be consistent, although not all are sufficiently structured in terms of numbers *vis à vis* the sectoral programming.



**Table 11: Outputs by thematic axis for the regional programme, 2007-13**

Thematic Axis	Baseline	Outputs up to 31.12.2011	% Achieved up to 31.12.2011
<b>Infrastructure</b>			
Road and transport system:			
• Km of new roads		21	
• Modernising of railways Potenza-Melfi-Foggia, and Potenza-Salerno-Napoli.		€ 41.3 million spent	
Soft infrastructure and ICT		Improving public 'e-services'	
<b>Structural Adjustment/ Sectoral Development</b>			
Tourism sector			
• No of procedure put in place to activate the 11 PIOT		2	
• No of marketing action	40	59	147%
Natural resources			
• No of interventions for enhancement and promotion of natural reserve and green areas	10	3	30%
<b>Enterprise development</b>			
• No of interventions of primary and secondary industrial service infrastructure.		5	
<b>Innovation</b>			
• No of SMEs involved in innovation through Basilicata Innovation		522	
<b>Environmental sustainability</b>			
Water networks:			
• More effective distribution of water for human use	65.2%	67.1%	103%
• Population served quota:	61.1%.	64.1%	105%
Energy		Planning of Eolic Energy District Val D'Agri	
<b>Social inclusion</b>			
No of school constructions		122 (of which 77 completed)	
No of social services and educational services		17	
No of multi-purpose buildings for the community		2	
Reduction of school drop-offs	10%	12%	120%
Spread of children's services	35%	27.5%	77%

Source: Annual Implementation Report 2010 OP 2007-2013 (Regione Basilicata, 2011).

An overall assessment of the results of the 2007-13 programme period is not possible, given that the programme is still in progress. Nonetheless, analysis by thematic axes provides an interim of the outputs of the OP 2007-13, which shows notable reported achievement in promoting social inclusion (see Table 11). A specific focus is on improving children's services and reducing young people dropping out of school.

### 5.1.2 Analysis by theme

This section examines the achievements of the programmes organised by theme and looks at both the aggregate reported achievements and detailed examples, based on interviews and other sources. The examination also looks at the evolution of regional performance over the period.

#### (i) Infrastructure

Infrastructure has always been a central issue in the region's strategy. During the first two periods 1989-93 and 1994-99, enhancing physical fixed capital was considered necessary for economic development. However, the picture that emerges is mixed, with more beneficial effects for territorial and social cohesion than business. Indeed, as confirmed by the Managing Authority, the development of industrial areas experienced several delays resulting in the infrastructures being ineffective for business formation and expansion.

Regarding the 1989-93 period, fieldwork confirms that ERDF interventions improved accessibility, reducing the isolation of the mountain towns and increasing living standards and social equality. In this respect, the investments helped to trigger trajectories of change such as community development that went beyond expectations. As noted earlier, a small amount of road building was funded<sup>29</sup> and there were much more extensive improvements to water supply and sewage systems. The key success factor for the realisation of infrastructure was the pre-existing regional territorial plan (*Piano di Assetto Territoriale*) (1978) which had previously identified strategic lines and gave rise to the development of projects for interventions aimed at 'building up' the territory.

Beyond the reported outputs, the actual achievements can be considered significant with respect to investment in utilities. ERDF support, together with the funding provided by the *Intervento Straordinario* which had already launched major programmes of investment in water infrastructure - (Smeri Europa, 1995), began resolving the problem of long-term drought, transforming water resources into an opportunity for the territory. In fact, Basilicata today receives funds from royalties for supplying water to its neighbouring regions, such as Apulia. This resulted from a specific strategic choice by the programming authorities to give priority to water resources, fostered by the importance of the agricultural sector in the region.

The contribution of the national ERDF programmes was also relevant, but not universally so. In the fields of telecommunications and energy, the MOP Energy and MOP Telecommunications helped to complete the gas distribution network and telephone system. However, the MOP Water Resources targeted the inter-regional water distribution network, but the financial allocation to exploit the use of water was not sufficient given the poor quality of the networks in the southern regions.

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<sup>29</sup> The sustainability over time of road infrastructure was also limited, since the hydro-geological condition of the region required a high level of road maintenance and restoration.

Insofar as there were policy failures, achievements in other areas were not matched by progress with road and rail transport. No Cohesion policy funding was allocated to strategic road infrastructure or transport by the national programmes, because it was believed that this sector was already sufficiently developed. The focus was on the developing the local transport system at municipal level (Ismeri Europa, 1995).

The regional programme achieved little road-building in 1989-93. More was done in 1994-99 when the focus of the road infrastructure intervention shifted towards extra-urban, strategic connections, with policy interventions to facilitate the connection and exchanges among major hubs with the interior part of the territory. According to reported output data, there was a high level of completion of projects that had already been designed, and could immediately be implemented and completed within the timeframe of the programme period. These are undeniable achievements. Nevertheless, there were also failures in carrying out some of the planned works due to: the actual cost being higher than the planned cost; unrealistic projections of likely results; and a multiplicity of decision centres, which included municipalities without the appropriate technical competences and where the *Cabina Di Regia* was not able to over-ride other authorities.

Some further progress was made under the 2000-06 regional programme, which improved the safety standards between mountain centres and main road links, reducing transit times and indirectly increasing social cohesion. Almost 1000km of road were built, including extension of highway links in the east of the region, comfortably exceeding targets.

A key contributory factor was the use of the Regional Road System Plan (2003), as well as the concentration of both EU and national resources (in the latter *Fondo per le Aree Sottoutilizzate*), water and petrol royalties on major infrastructure works. Notwithstanding these efforts, physical transport infrastructure and services remain among the poorest in Italy (Regione Basilicata, 2011). Problems also affected the construction of the railway Ferrandina-Matera (MOP Railway), following the bankruptcy of the operator. Today, only the station of Ferrandina is functioning, and Matera is not yet connected to the national railway network, with only a local connection to Bari in Apulia. In this respect, the policy - especially at national level - failed to develop transport infrastructure other than roads.

The funds from MOP Water resources are an exception, as they allowed the completion of the Acerenza dam in Basilicata to exploit fully the use of irrigation resources (Ismeri Europa, 2005) and, more generally, highlights the much greater success in developing basic services infrastructure for water networks, sewage systems, purification plants, and methane and power systems (MOP Energy). Although the development of infrastructure for enterprises was a priority, not much of the investment went not into projects to upgrade industrial areas (as intended in the strategy). Instead, 'Support infrastructure for business' concentrated resources on actions for environmental preservation investment in health-care facilities. A new hospital with 866 beds was built, and 6,000m<sup>2</sup> of fully equipped healthcare centres met a relevant deficiency in the region, reportedly improving the quality of life and reducing numbers seeking treatment outside the region by 15 percent.

Manifestly, investments in infrastructure had the indirect effect of creating more business opportunities for the construction sector. Even though this represented a positive

achievement in the short term, as stated by the government officials interviewed, the analysis suggests that in the long term the constant support to this sector delayed the shift in the economic structure of the region towards higher added-value economic activities.

Drawing conclusions from this, it can be said that the policy has triggered a change in improving internal mobility, but that a lack of consistency in national policy has been the main problem in overcoming Basilicata's inaccessibility. A striking example is that while the NOP Transport 2000-06 continued some of the rail improvements that affected the west and south of Basilicata it did not pursue the completion of the railway Ferrandina-Matera and contributed only €88.6 million to the regional road system despite having an allocation of €5.2, billion nationally. The strategy of the NOP was principally to strengthen Italy's strategic transport junctions in other regions.

Overall, there were notable achievements in ICT development. Some 609 public bodies were connected to the internet (190 had been planned), 85 percent of the population was covered by the Asymmetric Digital Subscriber Line (ADSL) network (49 percent had been planned), and 60,701 computers were installed in homes with support from the ERDF.<sup>30</sup> A triangulation of results from data and respondents confirms that the region attained a stable level of ICT literacy among the population (see Annex I, Section 8.2); second, greater social and territorial cohesion and modernisation of public administration through e-government, especially in the healthcare sector; and third, greater citizen participation (e-democracy); and fourth an increase in accessibility of education.

Cohesion policy interventions in this field were less beneficial for enterprises, reflecting the fact that they were not specifically targeted. Indeed, SME access to broadband remains among the lowest of the southern Italian regions (Regione Basilicata, 2011), a finding corroborated from Bank of Italy (2012) data. Nevertheless, IT provider companies received such substantial support that they have developed significantly. Today, there are 2,171 active firms in the ICT sector, with an increase of 5.6 percent occurring between 1998 and 2003. The main explanations are, first, that the project *Un computer in ogni casa* was mainly addressing individual rather than SME demand. The national plan for e-government also influenced this orientation. Second, installing the internet for SMEs was linked to the completion of industrial areas. In some cases these were not fully equipped to receive the ADSL network and infrastructure. The success in ICT can be attributed to an intervention strategy not aimed exclusively at physical investments. Priority VI of the ROP budget (for "Network and Service Junction") included €77 million for the information society objective, and was closely aligned with the interventions and strategies of central government through the national e-government plan (2000), which financed five projects in the region. Actions targeting ICT in the 2007-13 period have yet to produce substantial achievements, although some progress was made in reducing the digital divide.

The 2007-13 period was characterised by a retrenchment of resources for different sorts of infrastructure investment, leading to a further concentration effect. Several government

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<sup>30</sup> The provision of facilities and internet access points does not necessarily imply an increased take-up by users. This was an issue brought up by the interviewees (interview no.30).

officials claimed that these reductions could have negative repercussions for other problems (e.g. mobility and accessibility). Nevertheless, the analysis suggests that the need to concentrate on the most strategically important interventions may have focused attention on key projects such as TEN-T - 21 kilometres of road infrastructure were built, completing one of the main roads that connect the region to the Ionian coast and therefore to the TEN-T corridors. In addition, for the first time, the region allocated financial resources to modernise the railways that connect Potenza to Melfi and Foggia, and Potenza to Salerno and Napoli. The railway interventions have also been influenced by central government decisions, such as the recent cancellation of several high-speed rail routes in the area. These conflicting developments make it hard to assess the potential results in this area.

(ii) *Structural adjustment/sectoral development*

Although a substantial part of the resources in the 1989-93 and 1994-99 programme periods was still invested in agriculture, tourism gradually gained more importance following an integrated approach which encompassed natural resources, artisan activities and the manufacturing sector (analysed in the next thematic axis related to *Enterprise*).

During the 1989-93 and 1994-99 periods, the policy to develop the tourism sector was based mainly on the restoration of the existing cultural heritage, an approach which had a complementary benefit of enhancing the quality of life for local inhabitants, and on increasing accommodation capacity. Promotion of the territory and marketing activity were subsequently to become crucial in the development of the region. In the optimisation of cultural heritage, 49 initiatives were launched, including the refurbishment of the *Lagopesole* Castle and in supporting the domestic policy measures to conserve the *Sassi di Matera*. The ERDF contributions to this large scale effort included the funding of water and sewage services for the old part of the city where the Sassi are located, as well as support for tourism services and information points. A minority of officials interviewed disagreed that ERDF funding made a difference in this regard. However, data on the resources invested and documentary evidence confirm that ERDF support played a part in the city becoming a UNESCO heritage site.

The rationale behind the investment in tourism was the development of endogenous growth potential, but although the approach appears to have had popular support, a mixed picture emerges about the changes imputed to the funds. On one hand, ERDF plainly contributed decisively to strengthening the tourism 'offer' of Basilicata - both in quantitative and qualitative terms - by helping to increase accommodation capacity, and the region is considered by some interviewees to have been a pioneer and exemplar in the use of funds for the conservation and regeneration of its natural and cultural heritage. This was accomplished by assigning restoration interventions to specialised competent bodies (such as the *Sovrintendenza per i beni culturali*) to manage cultural heritage projects. On the other hand, attempts to promote artisanal and agricultural products yielded disappointing results.

Intertwined with tourism was the realisation of agri-tourism projects in rural areas, creating additional bedspaces. Despite the fact that investment in agriculture under

regional EAGGF did not produce significant results (EU, 1996; Regione Basilicata, 1997a), given that farmers were used to income support and assistance from the Common Agricultural Policy (CAP), a longer term impact arose from a change in the agricultural culture: the switch from providing agricultural income support to the use of rural areas for agri-tourism activities created '*farmer entrepreneurs*'.

The 1994-99 programme continued to invest in tourism, with 22 restoration and conservation interventions and the completion of eight mountain areas with facilities. A positive direct effect attributable to tourism interventions is a degree of urban regeneration with a consequent raising of living standards in urban centres. Also, it is worth noting the development of an intervention logic that aimed to strengthen the supply chain of tourism/environment/urban regeneration in order to develop the interior of the region. Existing accommodation facilities were restored and enlarged, but the building of new ones was hindered mainly by a difficulty in raising the necessary private capital. There were several delays in implementation of the MOP Tourism, and full exploitation of potential income from tourism was not achieved because of the lack of promotion and marketing activities.

These latter activities were developed during the 2000-06 period. Contrary to the views of respondents, who are still dissatisfied about the promotional activities of the territory, the analysis carried out suggests that lessons were learned from the mistakes of 1994-99 and actions were taken to achieve greater development in the tourism sector. The results exceeded expectations with an innovative (and much needed) emphasis on marketing activities: overall 156 marketing actions (soft interventions) were carried out, as well as 227 exhibitions and cultural performances. In addition, 115 interventions were designed to make the cultural heritage more accessible. The final implementation report suggests that ERDF investment helped to increase the number of tourists in the region (425,000 visitors, compared to 293,000 planned), placing Basilicata on the list of Italian tourism destinations with a regular annual growth of tourism from 1999 (see Section 5.1.1).

The tourism strategy for the 2007-13 programme period gives specific attention to the attraction of private investment to secure economic sustainability in this sector. The 'Integrated Projects of the Tourism Offer' (*Pacchetti Integrati di Offerta Turistica*, PIOT)<sup>31</sup>, which is based on the PIT 2000-06 experience, could build tourism clusters or 'cultural districts' led by the private sector. Nonetheless, the initial idea of concentrating investments in four specific tourism areas (Melfi, Maratea, Metaponto and Matera) has been watered down as a result of local clientilistic pressures to spread ERDF investments into 11 PIOTs, which might hinder the effectiveness of tourism investments.

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<sup>31</sup> The PIOT are strategic projects included in the new policy for tourism promotion of Basilicata, which aims at developing innovative types of entrepreneurship and marketing of tourism products in line with the Regional Tourism Plan. In detail, it is a series of projects to create a stable partnership between public and private bodies to share their development strategies and to create a network of cultural, natural and landscape resources in order to put together a better-organised tourism offer for the national and international markets.

(iii) *Enterprise*

Over the four programme periods, progressively more effort has been devoted to enterprise development and manufacturing. Although domestic policy was a prime mover, especially in attracting large industrial investments during the 1990s, cohesion policy support played a part. Attention was given to creating new firms and more importantly to tackling low standards and firms' survival rates in existing companies. In fact, the enlargement of existing plants prevailed, and the construction of new plants accounted for less than one quarter of the financed interventions (globally, the OP financed over 1,000 enterprises). The main achievements in the field of enterprise were assessed in a survey done by Ecosfera et al, (2002) as part of an ex-post evaluation. The main findings noted by respondents were (the figures in brackets refer to the percentage of respondents):

- the raising of standards in the business sector and a partial widening of the industrial base that took place through the improvement of product quality and of the services offered (57.5 percent);
- the growth of the production and/or supplying capacity (52.5 percent); the introduction of process innovation (40 percent); and
- the improvement of business/corporate procedures and management (37.5 percent).<sup>32</sup>

There is also evidence that productivity in Basilicata improved relative to its neighbouring regions after 1992, partly because larger firms (Barilla and Fiat, for example) located in the region. One of the critical success factors was the use of the global grant from a rotating fund for investments (*Fondo di Rotazione*) with mediation from BIC Basilicata (see Annex I, Section 8.1)<sup>33</sup>, which favoured the development of enterprises. As confirmed by the entrepreneurs interviewed, in comparison with the period 1989-93, business development support was an important element in activating learning within firms. Nonetheless, the constraints on marketing and external commercialisation services remained high, and this can be deemed one of the main failures of the programme. Furthermore, evidence suggests that SMEs often used the funding for modernising interventions that they would have carried out in any case, implying high deadweight.

A better use of resources was achieved during the 2000-06 period in relation to investments for improving standards and modernising SMEs. The number of SMEs achieving quality certification increased by 200 percent. Moreover, even though data are not precise, there was an improvement in the level of female involvement within enterprises (IRS *et al.*, 2007), a finding confirmed by interview research.

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<sup>32</sup> Results gathered from a survey elaborated by the independent evaluator 1994-99 (Ecosfera *et al*, 2002).

<sup>33</sup> A benchmark analysis of the Basilicata and Molise regions (EC, 1998) highlighted that in Basilicata, the BIC acted as a development driver, producing an 8.2 percent increase in the number of enterprises. The newly started enterprises had high survival rates and high technology levels (EC, 1998). More generally, the value of BIC and the subsequent development agency was reflected in its use for important initiatives to promote and strengthen entrepreneurial culture such as economic, financial, administrative and management competences in business planning and organisation.

Evidence from the evaluation/implementation reports (Regione Basilicata, 2011) and interviews with regional officials and partner organisations suggests that one of the ERDF's main achievements in the enterprise sector was the support given to established companies during the economic crisis. However, because most of these enterprises were small and making a low contribution to regional prosperity and employment, the ERDF support had only a partial impact on the industrial system. In general, interventions favouring the achievement of competitive advantage in terms of costs and differentiation of the product range were not implemented; in other words, there was a lack of actions aimed at assuring sustainability over time. The initiatives developed were still too traditional, and this is indicative of a low propensity towards risk that was not favoured by the small scale of financial resources available.<sup>34</sup> As in the previous period, the SMEs did not try to position themselves in new markets, preferring to remain with traditional customers, which was contrary to one of the objectives of the programme.

In the 2007-13 programme period, the influence of the Lisbon Strategy saw business support being focused more on innovation. However, the economic crisis means that part of the strategy is also focusing on helping SMEs to survive, arguably at the expense of a more strategic approach to fostering a sustainable industrial base in the region.

*(iv) Spatial distribution of economic activity within the region*

From the outset, Basilicata was (and still is) characterised by territorial disparities and a lack of functional and spatial linkages among economic activities within the region. This problem was targeted during the 1989-93 and 1994-99 programme periods via the construction of industrial areas, so as to concentrate artisan and manufacturing activities (this was the case for the facilities built in the *Valle del Basento* and *Tito* industrial areas). In 1994-99, ten new manufacturing areas were completed and 14 of the existing 16 were restored. Even though several interviewees described these interventions as a failure, a certain level of concentration was achieved through an incentive system for enterprises that settled in those artisan areas, but this has not led to the creation of clusters.

Most recently, two spatial trends have become apparent. The first is the concentration of medium and large firms in specific areas of the region - mainly the most accessible - for instance the FIAT plant in the north of the region, the agro-food firms in the south-east area, and petroleum extraction in the Val D'Agri. Crude oil production in Basilicata grew rapidly from the mid-1990s onwards, rising from 270 thousand barrels in 1995 to a peak of 4.4 million barrels in 2005, since when it has fallen back to around 3.5 million barrels. Natural gas production also expanded over the same period, trebling from 380 thousand cubic metres to 1.2 million between 1995 and 2007 when output peaked (Banca d'Italia, 2012). New wells are under consideration, but face environmental objections.

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<sup>34</sup> As the MA confirmed, the 30 percent abatement of the financing rate in capital contributions was a constraint on the creation of new enterprises (Interview n.15). Moreover, procedures for the disbursement of the contributions and the completion of the industrial areas were too long and complex with respect to the enterprises' timing, and consequently the companies forwent the financing (Interview no.18).



The other trend is that there is some evidence of grouping of small enterprises across the territory, not so much in industrial clusters as in areas in which policy interventions were based on local actors' preferences and needs through the bottom-up instrument of the 'PIT - Integrated Territorial Programme'. As a measure of output, 484 interventions were carried out, mainly in the field of public works. The number of interventions suggests that the local level was more interested in single infrastructure projects rather than integrated development ideas.

#### (v) *Innovation*

Support for innovation has long been a priority at EU level, but this has not been the case in Basilicata. Innovation was not perceived by the region as a priority until basic needs and problems of lack of material infrastructure, accessibility and productivity had been addressed. Innovation became more prominent in the 2000-06 and 2007-13 periods when a major involvement of local firms in building the innovation system of the region became pivotal in the regional strategy through the action of 'Basilicata Innovation' (*Basilicata Innovazione* - see Annex I, Section 8.3). The latter is a door-to-door action to disseminate innovation among SMEs - in some cases, entrepreneurs are aware of their innovation needs, but they lack the necessary in-house competencies - as well as to support SMEs in developing a capacity to identify their needs. During the first two programme periods and also partly during the 2000-06 period, the main beneficiaries of resources for innovation were the University of Basilicata and the research centres of the regions. In the 2007-13 period, ERDF funding supported a survey that sought to map the innovation needs of SMEs. This then led to actions to stimulate and support them in this field (see Annex I, Section 8.3).

During the 1989-93 period, the Commission required 10-15 percent of the POP resources to be invested in innovation, a figure that was too high for the region's needs. For these reasons, investments in innovation for SMEs were transformed into investments in academic research (see Section 3.2). The ERDF financed the completion of the Matera Spatial Geodesia Centre and the Astronomic Observatory of *Castelgrande*, as well as the laboratory of synthesis of materials promoted by the University of Basilicata and the Nuclear Centre of Ispra, Milan. In addition, funding received from the MOP Research and Development supported the construction of the regional centre of the 'National Agency for New Technologies, Energy and Sustainable Economic Development' (*Agenzia Nazionale per le Nuove Tecnologie, l'Energia e lo sviluppo economico sostenibile*, ENEA).

Those projects represent lasting results from ERDF in this field, helping to achieve a greater diffusion of the notion of research and creating regional innovation institutions. However, on the negative side, there was a tendency to invest in large, self-referential academic research projects that are not market-oriented. For example, research centres tend to be involved in the 7th Framework Programme because of the large-scale funding, whereas industrial research for small firms, being less remunerative, tends to be avoided. Moreover, expert interviewees noted that one possible impact, the development of spin-off companies, was not feasible due to the lack of preparation and the excessively conservative nature of local entrepreneurs.

In the 1994-99 period, support was provided for the construction of hard infrastructure and facilities for universities. The MOP Research invested €60 million in laboratories for the University of Basilicata. The actual achievement was an increase in educational opportunities (78 out of 79 research grants were assigned and 262 research contracts were awarded out of the 295 planned), but the policy appears to have had disappointing results in stimulating the concept of innovation. It was still perceived in part as a public function, with SMEs modernising themselves (e.g. buying new machinery) rather than innovating (e.g. creating new products or introducing processes of innovation), and with a low level of interaction among firms and the university.

Changes occurred in the 2000-06 period, with the attempt to establish a permanent network among regional innovation institutions and local firms. R&D was based on a combination of top-down and bottom-up approaches. In this context, the funds of the NOP Research went to regional university and excellence centres (six strategic projects) that did not always perceive the enterprises as the final beneficiaries of their activity (Ismeri Europa *et al.*, 2005a). The ROP allocated significant resources for innovation in enterprise, but businesses do not seem to have been very receptive. In total, 611 enterprises benefited from support, and there were 11 technology transfer projects (exceeding the five planned).

Because of their small (financial) size, enterprises were not capable of activating expensive innovation processes, but were more suited to modernisation actions that did not lead toward a strategic and long-term R&D path. The lukewarm attitude towards innovation policies is illustrated in the record of a public-private project for the diffusion of R&D which initially involved 100 enterprises; yet a year later, only seven were still collaborating with universities and research centres on specific projects, which means that no profound change occurred in innovation. Hence the results of these policies was disappointing and points to the possible emergence of new needs rather than lasting achievements, notably in the form of research infrastructure. As pointed out by the independent evaluator, the level of investment in research is still highly dependent on public funding (Regione Basilicata, 2011; Ernst & Young, 2005).

SMEs are at the heart of innovation support in the 2007-13 period. By the end of October 2011, 522 companies had made use of 'Basilicata Innovation' for auditing services, support for innovation, and activation of innovation projects. In addition, the region has signed an agreement for a research campus to be built in the industrial area (Melfi) where FIAT is now located. Overall, even though it is too early to assess the actual achievements of the ROP in this field, the actions undertaken point to a promising change of direction that may result in a better embedding of innovation in the production system.

#### (vi) *Environmental sustainability*

The environment has been a continuing theme in the strategy of the region, which boasts a notable natural heritage that represents a tourism asset. The concept of sustainability through renewable resources was introduced recently, starting in 2000-06 with a dedicated priority targeting natural resources. The interventions under this axis vary from waste and water management to energy efficiency.

Regarding separate waste collection, 17 new waste management facilities were built. Investments improved the supply of drinkable water to the population and increased the level of clean water for 42,000 users. It is important to underline that Basilicata has always paid great attention to the environment and 'water intended as a communal resource'. In fact, the 'Recovery Plan for water and waterworks' (*Piano di Risanamento per le Acque e per gli Acquedotti*, 1993) bears witness to this, as well as the emphasis placed on this by national law (Law 36/1994). The ERDF programme intensified this approach, providing funding to supporting the building and maintenance of reservoirs, waterworks and networks as well as encouraging the use of environmental criteria in ERDF tenders, as a result raising the region's environmental standards (seen in the big increase in SMEs receiving environmental certification). The mainstreaming of environment sustainability also led to the establishment of the environmental authority which greatly contributed to the diffusion of awareness.

The positive effects of the emphasis on environment are also reflected in energy efficiency initiatives: 7,460 energy efficiency interventions were carried out (a good illustration being installation of solar panels), compared to 7,000 planned, with a consequent saving of 11.6 percent in energy consumption (the target was 12.5 percent), and 1,538 kw of photovoltaic solar panels were installed.

In the 2007-13 period, the administration adopted the 'Regional Energy and Environmental Plan' (*Piano Indirizzio Energetico Ambientale Regionale*, PIEAR), which is investing in wind energy, solar panels and hydroelectric energy. Contrary to the past, the Plan is not only concerned with the use of renewable energy to ensure sustainability, but also provides for local investments for long-term sustainable development based on the 'green' economy. An example in this respect is the area of Val D'Agri, which is one of the first wind energy districts. According to interviewees, the two major risk factors for Basilicata are cultural resistance to the green economy, which is reflected in the way the companies might exploit natural resources and finding the right balance in exploiting the region's oil. There appears to be a widespread local resistance to using natural resources for business purposes because of fear of damaging the environment and eroding the natural reservoirs. The region is also experiencing problems in covering the operational costs of the parks and the nine dams built with the ERDF support.

#### *(vii) Labour Market and enhancement of human capital*

Support from ERDF has always tried to tackle the problem of unemployment in the region. This is particularly true for the 1994-99 and 2000-06 periods, when incentives for SMEs were linked to the creation of new jobs and the safeguarding of existing ones. However, it is not possible to estimate the number of permanent jobs created or to produce a clear picture of what would have occurred to the level of employment without the contribution of ERDF.

The POP 1989-93 tried to combine, in a complementary way, funding provided by the ESF for training and funding provided by ERDF for SMEs. Overall, the reported outputs were that 4,800 people participated in training courses, of whom 700 enrolled in classes to develop skills in tourism. More importantly, the share of employed people accessing professional training increased from 22 to 49 percent between 1989 and 1993, although it is not clear

what influence the programme had on this rise (EU, 1996). Despite the criticism that ESF resources were spent on supporting the training institutions rather than workers and job-seekers, the Structural Funds contributed to increasing human capital. Although this was valuable for large companies (such as Fiat, for which ESF funding helped with training programmes), there are doubts about whether the regional economy could absorb the flow of skilled workers. As a consequence, the higher-qualified and better-educated workforce emigrated to find better opportunities elsewhere, so that the impact was, arguably, to accentuate brain drain. However, from a social perspective, the policy had manifest achievements in raising the employability of the individuals concerned.

The 1994-99 programme also had worthwhile results, although the enhancement of human capital did not always lead to higher employment levels. Ninety percent of the 60,000 students participating in training activities finished their course. Some key actors suggested that the high attendance of young students could be interpreted as an alternative to unemployment or to receiving income support. Nevertheless, specific projects (Special Projects for Occupation) brought positive change by introducing an integrated method based on alternating class activities and training on the job. This ensured a good placement and offered potential career progression for people that were already employed. The effectiveness of such projects was based on the strong involvement of the enterprises in the definition of the courses as an expression of their professional training needs.

During the 2000-06 period, the incentives for SMEs were closely linked to employment, in keeping with Law 488/92, although since the onset of crisis, this appears to have been interpreted more as the retention of existing jobs than a strategic policy to create new ones. Evaluation reports state that support to enterprises contributed to creating employment in the region, but there are no specific figures or evidence that can establish whether the results were permanent (Regione Basilicata, 2011; Ismeri Europa *et al*, 2005b). More reliable is the fact that, while female employment fell as the crisis intensified in 2009, gender equality was given much greater attention. An explanatory factor is that the Authority for Gender Policy ensured that the recipients of ERDF-funded incentives for female entrepreneurial initiatives were women and not their (male) relatives.

### *(viii) Social Inclusion*

The 2007-13 programme introduced a specific priority to promote a more inclusive society, although equality and social cohesion have always been one of the main indirect objectives of the region. Thus, during the 1989-93 and 1994-99 programme periods, the investment in infrastructure and improvements in the most isolated municipalities helped to curb depopulation. It resulted in a reduced risk of complete abandonment of smaller settlements and helped to mitigate internal migration. This represents one of the direct achievements that can be imputed to ERDF action in the region, even though the evaluation reports did not fully draw attention to it. However, most of the funding for social inclusion came from the European Social Fund, not the ERDF.

Similarly, actions during the 2000-06 period targeting urban regeneration (PISU) raised the living conditions of some disadvantaged neighbourhoods. The major indirect achievements on social inclusion that can be imputed to ERDF are connected to the building of 11

reception and help centres, while some 20 non-governmental organisations (NGOs) benefited from aid. However, a failure to provide for the operating costs of these centres undermined the successes.

Similar difficulties are visible in the 2007-13 period during which 17 actions concern the implementation of socio-health services and educational services, and two multi-purpose centres for the community are to be built. These are linked to the 'Integrated Plans of Social Services' (*Piani di Offerta Integrata di Servizi*, POIS),<sup>35</sup> which aim to optimise health and social services by reducing duplication of provision. But officials interviewed noted that local entities are not always capable of managing such services or meeting the costs associated with them.

## 5.2 Complementarities and synergies

The analysis of complementarities and synergies within ERDF, other EU funds and regional plans and national interventions in Basilicata points to two important issues. First, financial integration among European, national and regional resources has been achieved since the start of the 1989-93 period, although the evidence suggests that the results of this integration have been much less coherent. Second, strategic and programming integration have evolved over the programme periods, mainly as a result of obligations under EU regulations and a willingness to cooperate. In both cases, coordination by the Cabin of Direction has played a crucial role.

### 5.2.1 Complementarities and synergies within Structural Funds and other EU co-funded policies

Basilicata made systematic efforts to take advantage of synergies between the Funds in both the formulation and implementation of the POP 1989-93. The actions of the *Cabina di Regia* and of the programming department (see Section 3.3) helped to avoid duplication. These intentions were only incompletely realised: whereas the financial complementarities could be considered to be in place, the strategic and implementation complementarities have been only partly successful. Synergies can be identified among EAGGF, LEADER and ERDF, where specific procedures avoided the overlapping of interventions in the rural sector. In comparison, synergies between ERDF and ESF have been less structured. This is mainly caused by two factors: each department acted separately at programme design level, and the differences in the Funds' implementation procedures did not allow either temporal or content alignment. During the 1989-93 period, ERDF and ESF actions were not designed in an integrated way.

The Managing Authority at the time highlighted how the Culture and Education department was independent in designing and managing any ESF action. In the subsequent period all programming proposals had to be approved by an 'Interdepartmental Technical

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<sup>35</sup> The POIS are investment instruments designed at a district level. Participants in the project include the provinces of Potenza and Matera, all the regional healthcare centres, and 129 towns in Basilicata. The POIS aim at improving services for citizens and the community as a whole. As of August 2011, 58 projects had been approved from a total of 347 proposed.

Commission' (*Commissione Tecnica Interdipartimentale*, CTI), so that an evaluation of strategic coherence with the POP could be verified. This increased the level of synergies among funds directed to SMEs and employment.<sup>36</sup> In 2000-06, the programme was no longer organised into sectoral sub-programmes but it had greater synergies.

The trend towards integrated programming was reversed with the mono-fund programmes adopted in the 2007-13 period, and the presence of separate Managing Authorities for each Fund weakened the scope for synergies among departments. Despite the existence of a flexibility clause, the current ERDF Managing Authority observed that it 'did not work as a mechanism to improve strategic complementarities'. Moreover, even though a joint committee was established, several of the interviewed managers pointed out that they did not meet systematically. ERDF and ESF synergies arose only if they were sought on specific projects, i.e. only if a specific fund needed a contribution from another one for a project to progress.

During the first two periods, regions were only consulted in a limited manner when the MOPs were designed. In Basilicata, this contributed to an overlapping of interventions in the field of SME incentives and transport infrastructure. The 2000-06 period benefited from a framework where regional and central competencies and resources were better defined, using the 'Framework Programme Agreements' (*Accordi di Programma Quadro*, APQ). For instance, the regional programming authority adjusted the SME incentives (Law 488/92) according to NOP Local development resources and industrial policy. In the area of transport, the NOP supported large-scale investments and the ROP promoted investments of minor significance, but the plurality of interventions did not aid the fluidity of relations among actors. The crucial factor in this regard remained the level of inclusiveness of the NOP's MA towards the regions.

### **5.2.2 Complementarities and synergies with domestic regional programmes, plans and national interventions**

When Cohesion policy was introduced, Basilicata was already receiving domestic funds for territorial development, which had provided some experience with achieving synergies with national-regional funding through unitary management. Indeed, the different resources received were all managed using the same approach - i.e. they were used in a collective manner, targeting issues which needed to be solved, independently of the origin of funds.

Following the *Irpinia* earthquake in 1980, the region received reconstruction aid which played an important role in Basilicata's convergence process. It supported the construction sector, a driving force behind the development of the region.<sup>37</sup> The region also received

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<sup>36</sup> As shown by the Special Project of Occupation (see Subsection 5.1.2), in 1994-99 there was a move towards integrating the requests coming from the business community in respect of education, with the aim of bridging the strategic, programmatic and implementation gap between the two funds.

<sup>37</sup> The exact amount of resources Basilicata received is not clear, although a study carried out by the *Corte dei conti* states that the Italian Government's public contributions, to all affected regions, by the year 2008 amounted to €32.4 billion (*Corte dei conti*, 2008). Part of the funding for reconstruction was still provided as late as 2012.

national funds via the Special Intervention from 1950 to 1992.<sup>38</sup> In a long-term perspective, the 40 years of Special Intervention were successful in developing basic welfare provision, but they were not able to trigger endogenous growth and a catching-up process with the Centre-North.

After the Special Intervention was brought to an end in 1992, the region received support from a variety of national budgets. Enterprise incentives provided by Law 488/1992 (channelled also by NOP local development) affected the POP strategy with enterprise support only on a complementary basis, and channelled the funds towards other strategic priorities such as the environment (see Subsection 5.1.2).

An attempt to enhance the synergy between EU and domestic programmes for regional development took place at the beginning of the current programme period, with the 2007-13 National Strategic Reference Framework (NSRF). The NSRF merged into a single, multi-annual strategy the EU cofinanced interventions and the interventions funded by domestic regional policy, implemented through the Fund for Under-utilised Areas (*Fondo per le Aree Sottoutilizzate*, FAS), established in 2003. This approach, which became known as the 'unitary regional policy', relied operationally on a number of parallel co-funded and non-co-funded programmes, both regional and national (applying only to the Mezzogiorno regions). All these programmes converged towards a single development strategy, which retained the endogenous, competitiveness-oriented approach already pursued by the 2000-06 Objective 1 CSF.

The FAS resources originally assigned to Basilicata under this framework were considerable: c. €900 million for the regional programme plus a non-defined share from the multiregional programmes, and what the region would obtain from a newly established (domestic) performance reserve (so called *obiettivi di servizio*). However, with the change of government in 2008, this framework was progressively dismantled. FAS resources were redeployed from the NSRF to three special funds (a Strategic infrastructure fund, a Strategic fund for the real economy, and a Social fund for employment). This resulted in a cut of FAS resources from the NSRF across the Mezzogiorno of 20.4 percent. For Basilicata, this meant a cut of 14.5 percent, in addition to an undefined loss of resources linked to the abolition of three National FAS programmes for the Mezzogiorno (those for Education, Research and Competitiveness and Networks and Mobility). Basilicata's reduced share of €743.5 million was about five percent of the total. The cuts marked a de facto dismissal of the unitary regional policy approach, thus undermining the originally sought complementarity between EU co-funded and domestic regional policy.

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<sup>38</sup> The exact amount of resources received by Basilicata is not available for the whole period. However, it is estimated that Basilicata received a total of € 8.86 billion of which € 2.16 billion for housing reconstruction and € 6.7 billion in the form of national incentives to industrial sites





## **6. ASSESSMENT OF ACHIEVEMENTS AGAINST OBJECTIVES AND NEEDS (EFFECTIVENESS AND UTILITY)**

### **6.1 Overall contribution of ERDF programmes to regional development measured against programme objectives (effectiveness)**

The effectiveness of programmes is the extent to which the objectives of those programmes were achieved through the projects funded. As such, the objectives can be split into two levels: the overarching programme objectives, often stated in terms of overall regional development; and the specific objectives or targets of individual priorities or measures. The former have usually been set in terms of aggregate regional indicators, such as GDP and employment rates relative to the rest of southern Italy or the country as a whole, whilst the latter were usually set in terms of narrowly defined indicators relating to the outputs rather than the changes resulting from the intervention. As a consequence, in assessing effectiveness, it is necessary to reconstruct the logic of how measures contribute to the overall objectives, and how the achievements of projects and measures fit with the regional performance indicators used to define the programme objectives.

The overarching objectives of the economic development programmes implemented between 1989 and 2013 were to reduce the external economic dependency of Basilicata by developing and exploiting endogenous potential, and to reduce internal socio-economic disparities. The design of the programmes had a clear intervention logic for achieving both of these goals, as described in chapter 3, and there was a continuity and consistency in pursuing these objectives throughout the 1990s, and to a significant extent in the 2000s, although the emphasis placed on different priorities shifted more towards promoting innovation and the development of SMEs in later regional programmes. As would be expected, the success in achieving some objectives was greater than for others, with neither ERDF funding nor domestic investment doing enough to overcome accessibility problems, but gains in social cohesion and structural change in the economy which constitute significant achievements.

A collective vision for the development of the region in the form of a Regional Development Plan outlining the main strategic orientations was critical to the achievements. However, it can be difficult to assess programme-level measures of achievement against needs, because programmes tended to have neither explicit aims nor quantified targets. Overall programme objectives are listed in Table 12, with indicators and measures of achievement insofar as they are available.

**Table 12: Programme objectives and targets for Basilicata regional programmes 1989-2013 and reported achievements**

Programme	Aggregate objectives/targets	Reported achievements
1989-93	<p>Mitigating territorial economic and social disparities</p> <p>Integration of the region in the economic system of the neighbouring regions, promoting endogenous development by improving the level of exports and reducing the financial dependency on external sources</p> <p>Improving human resources [note: no explicit targets]</p>	<p>Realization of road links that reduced isolation of remote towns.</p> <p>Low level of establishment of craft areas to rebalance territorial economic activities 8,757 firms supported</p> <p>Level of territorial disparities still high</p> <p>Level of imports still high at 35 percent GDP in 1992. (Mezzogiorno 22 percent ; national 3.7 percent)</p> <p>High level of consumption, low level of investment, still highly dependent on public funds.</p> <p>Increase of participation of employed in training courses from 22 to 49% (1989-93.)</p>
1994-99	<p>Mitigating territorial economic and social disparities (no target value)</p> <p>Reducing the external dependency by increasing the level of exports and regional competitiveness (no target value)</p> <p>Improving human resources 18,549 pupils expected and support to employment 9,482 job created expected (total of measures aid for firm)</p> <p>Goods and services expected to be produced: Million of lire (1994) 177.081 Net added value expected: Million of lire (1994) 1.272.495 Employed: 26,679 units expected</p>	<p>Still high level of economic disparities in the territory with the border areas more dynamic</p> <p>Level of exports growing: annual average 19 percent, higher than the Mezzogiorno. Share of exports in GDP 13.3 per cent against 22.1 per cent of the national level. Reduction of financial transfers from the national level (no specific data reported), but reduction of investment (no specific data reported)</p> <p>1,032 firms supported</p> <p>21,564 pupils</p> <p>4,806 new jobs and 8,380 temporary jobs</p> <p>No reported achievements</p>

**Table 11: Programme objectives and targets for Basilicata regional programmes 1989-2013 and reported achievements (Continued)**

Programme	Aggregate objectives/targets	Reported achievements
2000-06	<p>Overcoming peripherality</p> <p>Overcoming the marginality of the productive system (100 firms expected to be involved in technological transfer; Private investment in research value expected 3.6 per cent</p> <p>708 firms to be supported 118 new firms to be created)</p> <p>Achieving sustainable development (290,000 individuals to be reached by water and sewage networks. 150,000 individuals involved in recycling )</p> <p>Improving human resources and active population employability (Employed: 17,000 units expected Improvement level of employment target 37,30 per cent) Education and incentives for the self-employed regarding 29,788 individuals)</p>	<p>Low level of accessibility (57% on an accessibility index) High level of impact from soft intervention (85 per cent population with ADSL)</p> <p>Low level of impact on structural adjustment, Private investment in Research 4 per cent low sectoral added value - agriculture Low ratio PIL/FDI</p> <p>Overall positive contribution to firm productivity 600 firms supported , only 10 new firms created.</p> <p>High level of preservation of the environment (85,000 individuals reached; 72,570 involved).</p> <p>Impact on employment only in the short medium term 2,659 jobs created. Impact 38,7 per cent</p> <p>Improvement in female employability</p> <p>27,148 individuals involved</p>
2007-13	<p>Promoting convergence and supporting the region in the transition toward the Competitiveness objective through supporting innovation capacity and diversification of productive base PIL variation 3,9 current prices (current value 2006: 2,9) Employment: 8,000 units expected (3,000 female) CO2 emissions: 3.940.078,69 (current value 3.940.078,69) Number of R&amp;D project (8)</p>	<p>1 Project R&amp;D</p>

Sources: Final Implementation Report POP 1989-93, (Regione Basilicata, 1997); 1989-93 CSF Italian Objective 1 ex post evaluation, (Ismeri Europa, 1995); Final Implementation Report POP 1994-99, (Regione Basilicata,2005); Ex post Evaluation Basilicata POP 1994-99 (Ecosfera et al, 2002); Final Implementation Report ROP 2000-06, (Regione Basilicata, 2011)' and Annual Implementation Report 2010 OP 2007-2013, (Regione Basilicata, 2011).

Although there were no formal quantitative targets, the 1989-93 programme partly achieved its stated objectives, as it succeeded in reducing underdevelopment in the region. In particular, it contributed to the enhancement of basic service infrastructure (notably through investment in water supply and waste water projects which affected large numbers of people), expanded the provision of tourism accommodation, and increased human capital (importantly, in the area of tourism) through training courses. The programme also helped to change attitudes towards tourism as a potentially significant vector of economic development.

By contrast, business growth support, both artisanal and in manufacturing, was less effective, while there was little change in intra-regional disparities in the distribution of economic activities. ERDF investment can, nevertheless be credited with contributing to territorial cohesion through the diffusion of basic services.

The 1994-99 programme maintained the thrust of the previous programme on increasing accessibility, improving basic services, enhancing human capital and exploiting natural and tourism resources. However, it sought to promote more economic dynamism, by devoting greater efforts to modernising SMEs and promoting the commercialisation and export of regional products. Again, the record of achievement was mixed. The results fell short of targets concerning regional accessibility, increasing the employment level, and the creation of competitive SME clusters. Some progress was made in modernising the productive system and partly broadening the production base. In this regard, policy initiatives complementary to ERDF interventions, not least the opening of the Fiat plant at Melfi and the arrival of other activities funded by domestic policy were influential. The combined effect of specific ERDF interventions and these large scale investments funded nationally helped to broaden the industrial base, but there were also disappointments.

According to the ex-post evaluation, the level of funding for artisan business in Basilicata stood out as being much higher than in other regions. For its size, Basilicata also had a much stronger record in developing industrial space for artisan businesses (Ismeri-Europea, 2002), but the objective of creating clusters failed and few networks emerged, highlighting a low propensity to create such networks among firms. The evaluation also notes that the programme largely failed in its aim of stimulating alternative energy sources. Nevertheless, structural change did occur, partly due to the underlying positive economic trajectory of the Italian economy, in addition to which there were cumulative effects from the 1989-93 and 1994-99.

From the outset, the 2000-06 programme was very ambitious in its targets. It had been designed in the more favourable economic context of the late 1990s which encouraged the programming authorities to overestimate what could be achieved (Regione Basilicata, 2011). The programme tried to improve enterprise competitiveness<sup>39</sup> and maintain employment levels, albeit within a worsening economic climate as the Italian economy stagnated during the first decade of the new century, affecting the programme's scope for

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<sup>39</sup> 'In fact, in a hypothetical scenario without the ROP, the macro-economic trends of the region would have been so negative that the regional economy would have been distanced irrecoverably from the rest of the Italian economy' (Regione Basilicata, 2011).

meeting targets. Further, the programme lacked a clear and coherent strategic development vision for the region. Unlike in the 1989-93 and 1994-99 periods, there was no RDP that could direct the ERDF towards a limited number of strategic areas of intervention; instead, the new instrument of *Progetti Integrati Territoriali* (PIT - Integrated Territorial Projects) gave the local level a major role, as it was put in charge of selecting the projects to be funded. Opinion was divided on whether the dispersion of funding led to a fragmentation of the strategy that weakened it. Funding was certainly spread across numerous interventions (47 measures), subject to decisions by local bodies more concerned with their individual problems than meeting strategic regional development objectives.<sup>40</sup>

Consequently, the programme had variable success in meeting its objectives and targets. Progress was recorded in the fields of ICT, environment, and in boosting the female employment rate. These achievements can to some extent be credited to the integration of the ERDF in regional sectoral plans, as well as by the community and national emphasis (expressed via the guiding role of the DPS) on these specific themes. Despite these positive trends, some weaknesses and partial failures can be identified. Many interviewees were dismissive of the contribution of the national operational programmes to transport infrastructure, arguing that their resources were inadequate and that the programmes were subject to too much bureaucracy. In several cases (notably transport and tourism), it was not clear which were the respective functions of the regional level and the national level in the implementation of the national ERDF programmes. However, given the expected role of domestic policy in funding transport infrastructure, the perceived shortcomings in the MOPS are only part of the story.

In its extension to 2009, the ERDF had an anti-cyclical function, notably by supporting enterprise competitiveness and maintaining the employment level. In this phase, ERDF spending was used primarily to safeguard existing firms, rather than to reduce production costs and orientate allocation choices by firms. The strategy behind the 2007-13 programme was to complete the interventions of 2000-06 in order to achieve a more accessible territory (i.e. improving external connectivity and further enhancing natural and cultural resources); and improving the regional production base by investing in innovation. A stated transversal objective is the strengthening of the welfare system.

Although the OP could not have been expected to anticipate the severity of the economic crisis, the implementation of the ERDF programme is showing flexibility in the current difficult economic conditions. The regional authorities are combining efforts to support companies and local governments in adverse situations, with policies to develop alternative sectors such as the green economy and to boost investment in R&D, although the development of such activities is proving to be slow.

An overview of achievements compared to the main objectives imputed to the successive programmes is provided in Table 13. The most consistent achievements across the whole

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<sup>40</sup> The fragmentation of the strategy was also exacerbated by the Programme Complement, which introduced the 'measure' as the basic unit of programme management and implementation. Each measure was the responsibility of a particular civil servant, who was concerned with a specific measure performance rather than the result of the programme as a whole.

period are in the area of basic service infrastructure and, to a significant extent, structural adjustment. ERDF support was relatively more effective in relation to tourism development, environmental sustainability, internal mobility and basic infrastructure services. Achievements with respect to enterprise were strongest at the time of economic growth in the 1990s, although the policy effort in this area was stronger in subsequent periods and undermined in part by the economic crisis of the late 2000s. A similar trend can be seen in the labour market interventions. Interventions targeted at innovation were less effective, and R&D actions have only recently become relevant enough in the regional strategy to result in positive achievements.

**Table 13: Achievements compared with imputed objectives for eight thematic axes**

THEMATIC AXIS	1989-93		1994-99		2000-06		2007-present	
	Imputed objectives	Achievements	Imputed objectives	Achievements	Imputed objectives	Achievements	Imputed objectives	Achievements
1 Enterprise	=	2	=	4	+	3	++	3
2 Structural adjustment (sectoral adjustment)	++	4	++	3	++	4	=	na
3 Innovation	-	3	-	2	=	3	++	4
4 Environmental sustainability	=	4	=	4	++	4	++	4
5 Labour market/social inclusion	+	4	++	4	++	3	+	3
6 Community development	=	4	+	4	=	3	+	na
7 Spatial distribution of economic activity	+	1	+	2	+	3	=	2
8 Endowment of infrastructure	+	2	+	4	+	4	+	4

Objectives scale, start of period

- ++ Very high effort, this axis is a central aspect of the regional development strategy
- + High effort, this axis is an important element in the regional development strategy
- = Average effort, this axis is included in the regional development strategy but is not particularly important
- Low effort: this axis is only marginally considered in the regional development strategy
- No effort at all on this axis

Achievements scale, end of period with respect to beginning of period

- 5 Very high achievement, the results for this axis are considerably above expectations given the effort put in it and ex-ante conditions
- 4 High achievement, the results for this axis are above expectations given the effort put in it and ex-ante conditions
- 3 Average achievement, the results for this axis are those which could be expected given the effort put in it and ex-ante conditions
- 2 Negative achievement, the results for this axis are below expectations given the effort put in it and ex-ante conditions
- 1 Very negative achievement, the results for this axis are considerably below expectations or even nil

## 6.2 Overall contribution of ERDF programmes to regional development compared to regional needs and problems (utility)

At the outset of the 1989-2013 period, Basilicata was a region with lower aggregate levels of growth and employment than the rest of Italy and was characterised by significant internal disparities. There were major socio-economic differences between internal and rural areas, mountain areas, coastal areas and the areas bordering the neighbouring regions. A fundamental problem for the region was (and remains, to a certain extent) its physical geography which affects the availability of water, internal accessibility and a trend towards the abandonment of the land. The region does not have port or airport facilities. The average journey time to reach the nearest airports of Bari (Puglia) or Naples (Campania) is 140-160 minutes, and for many towns is up to three hours.

Analysis at the time diagnosed a combination of development problems, notably the absence of an entrepreneurial spirit, inadequate human capital, absence or deficiencies in quality of advanced services; difficulty in commercialising regional products; and underutilisation of the region's environmental and tourism assets. There was also unease at the competitive challenges from Spain and Portugal which had recently become Member States of the European Community.

ERDF spending, together with domestically funded economic development programmes allowed for considerable progress in dealing with these needs, with the comparatively strong performance in GDP per head testifying to the overall utility, as defined for the purposes of this study, of the entire development effort. But the pattern of achievements was uneven, partly because of critical shortcomings in some forms of intervention. As the evaluation of the 1994-99 Italian CSF by Ismeri-Europa (2002: 38) notes, there was supposed to be what the evaluators describe as 'a complementary relationship' between the CSF and national (i.e. domestic) policy in which the different funding agencies would 'specialise' in different forms of intervention. If this did not work as intended, 'the failure of one policy (CSF or national) will deprive the objective 1 of one strategic support'. It also observes that transport and energy were especially dependent on domestic support, whereas tourism was largely dependent on the CSF and there was an even division of responsibility for supporting industry and agriculture.

To improve internal accessibility, considerable public investment went into internal transport infrastructure. The evidence suggests that journey times and road safety inside Basilicata, two undoubted needs, both improved, but that the need for better external connections were not sufficiently met. Nevertheless the two provinces have better connections (given the SS407 road improvement) and there is a higher concentration of income and population in the industrial area, as businesses are able to serve a larger market across the region. However, the road system is still inadequate (with only one motorway going as far as Potenza) and there has been relatively little investment in the railway system. Hence, the need for better rail links has not been sufficiently met, with adverse effects on the city of Matera which is facing increasing competition with Potenza for resources, attracting business and exploiting the potential of tourism. In this respect, Italian national transport policy, which has strongly influenced the priorities of the MOPs and NOPs, has not dealt adequately with Basilicata's needs.

ERDF support has contributed significantly to meeting needs for improved basic services infrastructure, such as water, sewage and purification systems, schools, the university, hospitals and ICT services. These interventions had unexpected beneficial effects, such as giving value to and optimising water resources, and the achievement of a high level of environmental protection. The expansion of broadband facilities has given a fillip to the development of the ICT sector which has emerged as a source of new economic activity, thereby meeting an evident need in a relatively underdeveloped region. Moreover, the utility of the investment carried out in these sectors is visible in the improved levels of well-being, social cohesion and community development<sup>41</sup>. Some examples include the

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<sup>41</sup> This statement was confirmed by many interviewees, as well as during the workshop.

decrease in patients obliged to seek treatment outside the region, as a result of better health infrastructure, the increase in internal road links has made the mountains area less isolated, and child services have improved. Nevertheless, emigration from mountain areas continues, with people being attracted towards better connected towns, such as Melfi, Rionero in Vulture, Lavello (Vulture area) and Scanzano, Ionico, Bernalda, Pisticci (Metaponto area).

ERDF supported the EAGGF in introducing significant changes in the farming sector that can be interpreted as exhibiting the utility of the investments. First, a renewal in the running and management of land tenures took place, stemming from intergenerational transfer. Changes in the farmers' organisation took place, particularly in the transformation and commercialisation of products due to vertical and horizontal integration in the production chain. An indication of growth and cultural change in the sector can be found in the increase, between 2000 and 2006, of the number of active enterprises (22,325 in 2000 while in 2006 the number dropped to 20,955). Second, the investment in agri-tourism activities represented an important cultural shift in the rural sector. Nonetheless, the supply-chain model did not succeed in acquiring strength and stability because of the inability of producers to form stable consortia.

Tourism was the sector where the most noteworthy changes can be imputed to ERDF, including by developing the tourism potential of smaller communities. This had the indirect effect of raising the living standards of the inhabitants and therefore constitutes utility. In absolute terms, there was an increase in tourism flows (reaching 450,000 visitors in 2000-06, 145 percent more than planned) even though the region is still far below the tourism attraction levels of other southern Italian regions, with a greater concentration of tourists in the coastal areas than internal areas. As a result of investment in cultural resources, it is possible to differentiate two forms of tourism. Along with the coastal tourism (Maratea, Metaponto, Pisticci, Scanzano Jonico, Policoro, Rotondella, Nova Siri), there is a form of tourism that is flourishing with respect to the cultural resources, mainly in four areas, Magna Grecia (Metaponto, Policoro, Nova Siri); old cities (Venosa, Grumentum); medieval cities (Melfi, Miglionico, Tricaric); and Matera, mainly due to the restoration of *I Sassi di Matera*.

An innovative model of tourism seems to have emerged in Basilicata, with the successive regional programmes contributing substantially to it. What shines through is the knowledge that the attractiveness of an area depends on a combination of conditions which guarantee the quality and variety of accommodation, endowment of complementary infrastructure, conservation and accessibility of cultural heritage and suitable marketing. The multi-regional operational programmes in the 1994-99 CSF encompassed action in all these fields but had not at that time made provision for their integrated management, enabling synergies to integrate tourism, the environment and rural development. These actions would have required co-operation not only between those responsible for the different priority axes but also between the different Structural Funds. These shortcomings led to the abandonment of a national programme for tourism in the 2000-06 period, and reinforced the logic under which promoting tourism as a driving force of endogenous development should be left mainly to the local level.



ERDF spending had a more chequered record in meeting needs for enterprise development, and specifically internationalisation. While the ERDF contributed significantly to the lasting modernisation of the industrial sector, it did little to broaden the region's industrial base, and the indications are that complementary policies funded domestically also had limited achievements in this regard. Local SMEs still focus on traditional products, even though the ERDF contributed to a greater diffusion of entrepreneurial culture and of self-entrepreneurship, improving the risk averse culture that characterized SMEs at the beginning of the period. The need for innovation among SMEs is still high and ERDF is only now focusing on improving on diffusion of innovation. Much of the early spending went into the research infrastructure rather than promoting technology transfer and university-industry links. While necessary, it did not lead on to sufficient take-up of innovation support, suggesting that facilities alone are not enough to attain utility.

**Table 14: Needs and achievements for eight thematic axes**

THEMATIC AXIS	1989-present		1989-93		1994-99		2000-06		2007-present	
	Needs	Achievements	Needs	Achievements	Needs	Achievements	Needs	Achievements	Needs	Achievements
1 Enterprise	++	3	++	2	++	4	++	3	++	3
2 Structural adjustment (sectoral adjustment)	++	4	++	4	++	2	++	4	+	na
3 Innovation	++	2	+	3	++	2	++	3	++	4
4 Environmental sustainability	++	4	=	4	=	4	++	4	++	4
5 Labour market/social inclusion	++	3	++	4	++	4	++	3	++	3
6 Community development	+	4	++	4	++	4	+	3	+	na
7 Spatial distribution of economic activity	++	2	++	2	++	2	=	3	++	2
8 Endowment of infrastructure	++	3	++	2	++	4	+	4	++	4

Needs Scale, evaluation of the region at the start of the period

- ++ Very high need: the region is highly deprived on this axis
- + High need: the region is somewhat deprived on this axis
- = Average need: the region is around the national mean on this axis
- Low need: the region is above the national mean on this axis
- Very low need: the region is already a European front-runner on this axis

Achievements scale, end of period with respect to beginning of period

- 5 Very high achievement, the results for this axis are considerably above expectations given the effort put in it and ex-ante conditions
- 4 High achievement, the results for this axis are above expectations given the effort put in it and ex-ante conditions
- 3 Average achievement, the results for this axis are those which could be expected given the effort put in it and ex-ante conditions
- 2 Negative achievement, the results for this axis are below expectations given the effort put in it and ex-ante conditions
- 1 Very negative achievement, the results for this axis are considerably below expectations or even nil

Finally, regarding employment, it is difficult to identify direct results or enduring impacts. Investment by the Structural Funds increased the range of training programmes and courses and the stock of qualified human capital. Such spending also acted as a social shock absorber when necessary. Nonetheless, there is still a high level of mismatch among worker

skills and labour demand. In favourable economic times ERDF supported investment, helping to meet enterprise demand for higher standards and assisting investment to increase productivity. In periods of economic downturn (two negative economic cycles to date, 2001-05 and 2008), ERDF has had an anti-cyclical function, supporting investments to maintain the *status quo* rather than promoting further development.

Taking a longer-term perspective, arguably the greatest utility of ERDF -was in meeting the regional population's basic needs, increasing intra-regional accessibility, and strengthening the tourism sector. Worthwhile results were also achieved in improving SME competitiveness and increasing living standards, while the modernisation of public administration also constitutes utility. -The ERDF programmes also drew attention to issues like environment and innovation which the region may not have addressed otherwise. Over the 25-year period of Cohesion policy, Basilicata has changed profoundly in several important ways, greatly improving its initial underdeveloped conditions and emerging from its previously backward and disadvantaged status.

Turning to the future, there is general agreement within the region that it will be hard to sustain progress because of the effects of the recession and the reduced level of national funding as a result of austerity budgets. Although a small region cannot realistically be very diversified, Basilicata's industrial sector is dependent on automobile and petroleum sector exports, and the recent difficulties at Fiat could have a pronounced negative effect. Public support (including from the ERDF) for enterprises during economic downturns has in some cases led to a dependency culture.

An unresolved dilemma is whether to use the Structural Funds as a form of economic and social compensation for areas that are lagging behind or to concentrate funding on strategic sectors or growth areas. The region has largely focused on the former, thereby achieving greater social inclusion, but still faces the risk of widening disparities within its territory. Its more dynamic border areas tend to be included in the orbit of other regions, while the internal areas risk becoming more marginalised, because their cultural and natural resources cannot be exploited without efficient networks. Innovation in industry has been lacklustre and opportunities for skilled workers remain limited prompting younger workers to migrate. Migration, coupled with the declining birth rate, has accentuated the ageing of the population.

No more internal roads are needed, and if they were to be built, the risk is that they would be underutilized. Instead, efforts need to be re-orientated towards completing the connections with Apulia and both the Adriatic and Ionian coasts. Further, investment in a fully functioning railway is necessary to increase both business and tourist traffic. In the absence of an indigenous airport, the railway may also improve connections with the Bari or Naples airports. An airport would be an alternative investment (as suggested by different interviewees), but the railway and a more targeted national policy in the field of accessibility would remain a more cost effective solution.

To summarise, even though much has been achieved with the support of the ERDF, problems still remain. Despite the substantial domestic investment in transport, complemented by successive OPs, both the internationalisation of enterprises and the

ability to attract FDI are inhibited by the limitations of the external transport network. Intra-regional imbalances have been attenuated, but there continues to be emigration from the more remote areas.

### **6.3 Key elements of success and failure**

#### **6.3.1 Good practices**

Initially the identification of Basilicata's needs was relatively straightforward because the region was still in an early phase of development: the needs were so basic and evident that it was simple to identify them and direct resources to addressing these needs. One of the key elements that contributed to this was the presence of a Regional Development Plan that expressed clear and precise objectives, on which it was possible to concentrate ERDF investments. In relation to this, the activism of the governing class in taking advantage of ERDF in order to alleviate the negative effects of the diminution of national regional policy also played a crucial role. Having a pipeline of projects and the identification of appropriate implementation bodies improved both the efficiency of the programme and the quality of interventions.

The unitary direction of the programming and management of Structural Funds allowed for better integration of domestic and EU co-financed regional programmes and resources through the use of a project database and the deployment of regional sectoral programmes (mobility and water resources) allowed for the completion of the basic service infrastructure. In addition, the experimental use of the global grant for enterprises and the favourable economic context of the 1990s reinforced the POP effects.

In the 2000-06 period, the region showed an ability to rethink its strategy, influenced by wider EU priorities (notably the Lisbon agenda), giving more weight to new sectors such as ICT, and favouring equal opportunities and innovation. The main influences on these changes were, first and foremost, the proactive roles of the EC and the central government (DPS) on those specific themes. The ability - by this time strongly embedded in the administrative regional culture - to align resources to the regional sectoral plans with the use of a Master Plan for resources favoured the deployment of adequate procedures for synergistic and complementary investments.

In some respects, the decentralisation to PITs worked. The most important indirect impact was to stimulate learning and experimentation by local actors. Despite broad agreement on the potential of the PIT to gather 'local energies' around a shared idea and vision of development, the interim evaluation conducted by Ernst & Young et al (2005) was sceptical about their value in strengthening the production supply chain. A clear example is the Val D'Agri area: even though several PITs were established, the area is less developed in comparison with the other areas. This was because the different forms of investment were distributed equally and indiscriminately across the territory. Interviews with actors involved in the PIT suggest that the allocation of funding was undermined by the 'lack' of independence of the PIT managers when faced with local political pressure.

### 6.3.2 *Bad practices*

The key failure of the earliest programme was that the potential impact of the available resources was overestimated, leading to unrealistic expectations. The strategy was unable to broaden the economic and entrepreneurial fabric due to the excessively conservative nature of the industrial sector, the limited inclination to invest in non-traditional sectors, the inadequacy of the financing system, and the fact that the programmes were too focused on the agricultural sector. There was not an explicit industrial policy, an approach that, at that time, was a relatively new concept for the region. There was instead a generalised use of SME incentives in relation to both firm aids and infrastructure for manufacturing areas.

In the first case, the SMEs used the funds for restructuring and modernising interventions that would have been carried out regardless of the funds (so with little additionality); and the availability of the funds prompted the undertaking of entrepreneurial activities just to take advantage of the financing, not necessarily in line with development goals. The funds guaranteed the survival of the enterprises in the market, but did not succeed in creating new and more dynamic SMEs (Regione Basilicata, 1997a). Political decision-makers were also partly to blame, as they often supported vested interests. So, rather than focusing on the future, the intervention logic moved towards a short-term problem-solving approach, thus creating a certain 'level of dependency and lack of responsibility on the part of the entrepreneurs'.

In the case of infrastructure for firms, probably too much effort went into the creation of supporting artisanal and industrial districts through 'Production plans' (*Piani di inserimento produttivo*, PIP) and 'Industrial development areas' (*Aree di Sviluppo Industriale*, ASI). Although lauded by the managing authorities, they subsequently led to fragmentation in the use of the incentives. Moreover, progress in this respect was slow because of implementation delays due to the lack of technical competences of the municipalities and consortia that had been put in charge of implementation, as well as administrative red tape.

The 1994-99 programme focused on many of the needs of the territory and the population, but did not do enough to stimulate endogenous development. A core problem - mainly caused by shortcomings in policy synergies - was the railway infrastructure gap and services deficiency. Basilicata suffered from neglect by national companies such as the 'National Corporation for Roads' (*Azienda Nazionale Autonoma delle Strade*, ANAS) and 'National Rail' (*Ferrovie dello Stato*, FS), which in view of the limited market in Basilicata, did not consider it viable to invest in the region, and the limited resources from the ERDF could not compensate for this. Another issue was the absence of intra-regional consultation procedures on transport and mobility in order to ensure coordination and lobbying with regard to the national entities.

In later programmes the adoption of EU-wide priorities seemed to undermine a strategic vision for the region. Although the Lisbon agenda - especially - highlights the importance of the knowledge economy, it encompassed priorities that were only partially coherent with

regional needs, thereby causing implementation delays. This was the case with the priority *Cities*.

The Community priorities were intended to identify latent needs; nevertheless half of the interviewees perceived that the Community objectives were not always aligned to the needs of the territory. Indeed, the overall opinion is that investing in cities should be done after solving more relevant structural problems such as accessibility and SME competitiveness.



## 7. CONCLUSIONS

This final section brings together the findings to emerge from the case study research in Basilicata, with conclusions organised according to the three sets of evaluation questions (EQ) posed in the original call to tender.

### 7.1 EQ1: To what extent did the programmes address regional needs and problems over time?

The first set of evaluation questions concern the degree to which ERDF interventions addressed regional needs. The overall answer is that the broad thrust of programmes was suited to the region, because they sought to deal in a comprehensive manner with the development gap, especially in the 1990s. Subsequently, as the programmes shifted emphasis towards themes associated with the Lisbon strategy, some needs (notably external accessibility) were not given sufficient attention.

#### *EQ1a: What were the initial regional needs and problems and what has been their evolution?*

In 1988, Basilicata was the poorest region in Italy, with a GDP per head (PPS) of just over 63 percent of the national average (and 63.4 percent of the EU15 average). As part of the historically underdeveloped south of Italy, Basilicata faced particular structural challenges due to geological instability, mountainous terrain and geographic peripherality. Its relatively small population was dispersed over many small towns and villages. The region had poor road, rail and airport connections to the rest of Italy and abroad, and it lacked urban or industrial agglomerations: the two largest towns (Potenza and Matera) each had fewer than 70,000 inhabitants. It had the highest proportion of employment in agriculture among Italian regions and a relatively under-developed service sector, while the employment rate was one of the lowest in the country, especially among women. The unemployment rate was almost 19 percent, and educational attainment was below the national average. Basilicata had suffered from outmigration since the 19th century, with periods of major population decline. The region's own diagnosis of its economic development problems was that it was heavily dependent on external subsidies, had major deficiencies in entrepreneurship and the skills necessary for sustainable industrial development, and was not exploiting its natural and cultural assets. Also, parts of the region were still underdeveloped, lacking basic amenities and services.

During the 1990s, significant progress was made in overcoming Basilicata's development gap relative to the rest of Italy. A 'second industrialisation' had already been stimulated by massive reconstruction aid following the 1980 earthquake, and this was reinforced by support from domestic policy in the 1990s which contributed to the attraction of major firms such as Fiat and Barilla into the region, as well as the development of oil and gas extraction. However, while the region made some progress in addressing its structural problems - notably with the provision of basic services and development of tourism - other development needs were still prominent. Particular weaknesses were in new firm formation, SME development and innovation. Similarly, despite some improvements in internal accessibility Basilicata continued to have poor external accessibility, a need that persisted through the first decade of the new millennium.

In the 2000s convergence in GDP per head slowed and, although Basilicata moved over the 75% of EU GDP per head threshold for convergence regions, its economy remained somewhat fragile, not least because of its dependence on a limited number of sectors and the fortunes of major employers such as Fiat. Although some investments in research capacity had been made, it became more apparent after the launch of the Lisbon strategy that Basilicata had a need for much greater effort on innovation, and has not been able to make sufficient progress in this regard, partly because there was little knowledge about what firms wanted or were already doing in this regard.

Overall, during the period since 1989, the region has converged economically, with GDP per head reaching 72 percent of the national average in 2009, and it has outperformed neighbouring regions such as Calabria and Campania. In addition, the strong dependence on traditional agriculture has been greatly reduced, and what was a very limited tourist industry now contributes substantially to regional prosperity. There has also been a step-change in educational attainment, supported by ERDF funding for facilities. Basic public services have been greatly enhanced, bringing water, energy and communication networks much closer to national standards, and the most pressing environmental and social needs have been attenuated. However, some of the key structural problems from the late 1980s remain, notably under-representation in high-added value industrial sectors and the knowledge industries while the deficiencies in road and rail links to the rest of Italy are still far from being resolved. The current economic crisis has imposed renewed pressure on the region, and it is again seeing young workers with good qualifications leaving to look for employment opportunities elsewhere.

***EQ1b: What was the strategy of ERDF programmes of each programme period? What has been their evolution?***

Basilicata has received substantial EU funding since the mid-1980s, when the Integrated Mediterranean Programmes (IMPs) were introduced; it was an Objective 1 region from 1989 until 2006, and a phasing-out region from 2007 onwards. Throughout the period 1989-2013, there have been four recurrent themes in the region's strategy: connectivity, referring to improvements in accessibility, transport and basic service infrastructure; productive investment, mainly in the form of support for SMEs; enhancement of the cultural and natural resources associated with tourism; and enhancement of human capital. These four themes progressively became fundamental components of an intervention policy which sought to 'unify the territory' internally as well as connecting it to other regions. The aim has been to promote development and competitiveness, not only through material interventions but also by focusing on immaterial aspects such as information technology and human capital.

After 1992, when the Italian national 'special intervention' for the Mezzogiorno ended, the bulk of the Cohesion policy investment in Basilicata came from the regional programmes, but there were also substantial resources from the EU co-funded Multiregional Operational Programmes (MOPs) and National Operational Programmes (NOPs). The latter were predominantly orientated towards national objectives, such as enhancement of transport and communication networks, the SME sector and energy, and initially channelled through 'Special Intervention'. For some of these programmes, it is difficult to attribute spending



directly to individual regions, especially where spending in one region may be for the benefit of another. An example is railway building for which developments in neighbouring Campania were intended, in part, to improve connections to Basilicata. Moreover, some of these national programmes do not explicitly break down spending by region.

The MOP/NOP funding was generally assigned to national corporations to implement large projects in the field of infrastructure and basic services in Basilicata (and the other southern Italian regions), predominantly for water, energy, transport and communication improvements, as well as sizeable investments for industry and SMEs. In common with other Italian regions, Basilicata was subject to 'Framework Programme Agreements' that were put in place for the 2000-06 period to define regional and central competences and resources. There was, however, considerable overlap between the regional and national OPs, making it hard to establish a clear division of labour or separate intervention logics. In some respects, the national OP strategies were insufficiently attuned to Basilicata's needs. For example, national transport funding was allocated mainly to strategic transport links that bypassed Basilicata or local transport improvements which were less of a priority for Basilicata (concerned more about external accessibility).

The four-pronged strategic approach was initiated by the regional authorities, with the impetus coming from a Steering Committee (Cabina di Regia), for the first regional programme, the POP 1989-93, which set out a new intervention logic, but was also at least partly visible in successive MOPs/NOPs, although Basilicata was largely left out of some of the transport investments in this period. Based on theories of endogenous development, it sought to reduce Basilicata's external economic dependency and to facilitate a transformation of the supply-side of the economy. The explicit strategy was to upgrade the productive structure by building up fixed capital (infrastructure, especially for transport and basic services), but also by improving vocational training, tourism and agriculture. The wider objectives were to reduce territorial disparities within the region, to foster economic and social convergence with neighbouring regions, and upgrading workers' skills. Implicit in this strategy was a desire to improve social and territorial cohesion within Basilicata, and not just to boost economic growth.

In the CSF for 1994-99, Basilicata received a disproportionate share of the regional funding, some three times the level that would have been expected on the basis of its population, partly to 'compensate' for receiving a relatively small share of MOP funds, and it was again the regional programme that shaped the strategy, retaining much the same intervention logic as in the first period. The explicit strategy was to eliminate the region's 'lagging characteristics' - as in the previous period - but with a major effort to re-orientate the economic structure towards the market, favouring the modernisation and adjustment of the productive system. A shift in emphasis from infrastructure towards business support had the aim of inducing more industrial production and the broadening of the industrial base. However, as in 1989-93, there was a continued focus on basic infrastructure, agriculture, environment, tourism and human resources which accounted for the major share of expenditure.

The need to accelerate endogenous development in sectors other than agriculture and tourism underpinned the strategic thinking for the 2000-06 programme, which sought to

strike a better balance between the region's persistent structural problems and new needs. Thus, the programme strategy focused on increasing the productivity of physical, human and financial capital and simultaneously attracting external resources. Although the same four themes of development were retained, the balance between soft and hard interventions shifted, reducing the emphasis on agriculture and crafts, with a relative increase in support for industry and services. The programme also responded to the push from the EU level towards prioritising soft interventions such as innovation, marketing and services. However, the region struggled to spend resources in line with the strategy. The lack of an appropriate industrial policy framework constrained diversification of the production base. SME support appears to have been insufficiently targeted.

The 2007-13 programme is the product of economic, political and technical trade-offs, prompted by two important factors. First, the region's new status as phasing-out from the Convergence objective entailed a reduction of national support because Basilicata ceased to benefit from national EU programmes, not only financially but also in strategic and learning terms. Second, closer alignment of Cohesion policy with the goals of the Lisbon Strategy implied a stronger orientation towards competitiveness and innovation. The challenge for the region was to find a strategy capable of giving more weight to innovative interventions while persevering with structural policies carried out in previous years.

The outcome was a two-pronged strategy for the 2007-13 period. The first strategic focus is on competitiveness, involving strengthening research, the diffusion of innovation and the development of ICT networks. In practice, this comprised bottom-up initiatives to identify SME innovation needs and to embed R&D processes, while further investment in accessibility aims to connect Basilicata better to European corridors (TEN-T). Urban support aims to make Matera and Potenza the growth poles of the region and hubs for accessibility, economic activity and services. The second main objective of the strategy, envisaged as helping to complete past interventions (albeit with fewer resources), is to exploit further the region's natural and cultural resources for competitive advantage. The investments in renewable energy resources and improvements in environmental standards are strategic and coherent with that aim. For example, the actions to develop wind energy or to exploit water resources to produce alternative energy have two aims: safeguarding the environment and developing green business activities. The latest available data show that Basilicata is achieving quite good absorption rates, but has also shifted resources to the competitiveness and knowledge economy priorities, while down-playing support for urban systems. To some extent, these modifications reflect the need to deal with the crisis.

***EQ1c: What were the priorities and objectives of ERDF programmes of each programming period? What has been their evolution? Were the objectives SMART?***

In broad terms, the principal objectives during the two programme periods 1989-93 and 1994-99 were to build up the basic infrastructure of the region, to modernise the primary and food sectors and to promote tourism as a sector that afforded considerable development opportunities. An objective of enhancing the natural and cultural heritage was also prominent. Over the decade, there was a supposed to be a gradual shift in priorities from basic public service infrastructure to business development, but the focus remained

largely on the physical investments. These objectives reflected the four strategic goals explained above.

During 2000-06 and 2007-13, although further investment in basic investment continued, there was some shift in objectives towards raising the region's competitiveness by measures to boost productivity, to attract inward investment and to foster innovation. This shift in emphasis partly reflected the influence of the Lisbon strategy and became more marked in the 2007-13 period when innovation, especially, became a priority. Environmentally sustainable development was also an objective, again reflecting Lisbon strategy orientations. Among the priorities, there was a distinct shift towards support for 'soft' networks and the provision of services to enterprises in the 2000-06 period, while sustainable development becomes more significant in the current period.

The extent to which the objectives were SMART has varied over the period, with some improvement over time, although weaknesses remain in the attainability of some of the objectives

- The logic of intervention in the regions was, initially, one of very broadly-based economic development and, as such, was fairly general in its aims. To a certain extent, objectives have become more **specific** over time, partly through experience. Although some of the basic infrastructure aims in the earlier periods were specific in what they sought, such as lengths of road to be built or sewage connections to be made, they were in a context of more vague general objectives associated with improving connectivity and the quality of life. Some of these aspirations, especially within national or multi-regional OPs were ill-defined. In later periods, the larger number of priorities and measures were often more specific but perhaps at the costs of less overall coherence in the programmes.
- Progress was mixed in making programmes achievements **measurable**. A monitoring system was built up over time, and from 1994 onwards targets were set, albeit for a limited number of indicators and primarily focusing on outputs rather than results. It is not clear that there was a hierarchy of indicators that was consistent from programme level down to individual measures. Performance indicators for the 2000-06 and 2007-13 periods have been mainly set at priority level with the result that target definition was sometimes framed in very general terms or as numbers of projects/interventions. There seems to have been no attempt to provide the basis for systematically capturing the overall impact of the programme as a whole.
- Related to the measurement issue is the question of whether objectives were **attainable**. Arguably, and especially in the first two periods, they were over-ambitious in terms of what the interventions could achieve. They seem to have been most realistic with respect to improvements in utility infrastructure and public services, and least so in the case of enterprise and innovation support. There was also a reliance on complementary funding from domestic sources which made it harder for the ERDF funding on its own to achieve attainability.

- Broadly the objectives of the programmes have been **relevant** and were based on a sound diagnosis of the region's needs. The problem, however, was that (especially during the first two periods 1989-93 and 1994-99) there was inadequate capacity to prioritise strategic objectives and to ensure that projects selected were in line with the programme objectives - rather than being reinterpreted to allow local priorities to be pursued.
- The objectives of the programmes have largely been **timely** in terms of addressing needs that are immediate. However, the timescale of objectives has been problematic in the sense that many of them have been fundamental development issues whose resolution would transcend several programme periods, especially the big external transport deficits.

***EQ1d: What has ERDF support been spent on in each programming period? Have there been significant transfers from initial allocations of ERDF resources to other priorities in any period?***

Over the period 1989-2013, an estimated €1.73 billion of EU funding was initially allocated to Basilicata under the regional programmes (actual expenditure, €2.66 billion), of which €956.7 million was allocated under the ERDF for regional Operating Programmes (actual expenditure, €1.56 billion), with much of the difference explained by Basilicata's success in obtaining additional resources from both ERDF and domestic sources as a result of good performance. Although a detailed breakdown of allocations under the NOPs/MOPs is not available and subject to the caveats mentioned above, the MOP funding received by Basilicata in 1994-99 is estimated to have been up to €867 million, much of it for the enterprise and sectoral development themes, while in 2000-06, Basilicata funding from the five NOPs amounted to €617 million, again favouring these two themes.

There were significant shifts in the kinds of projects which received ERDF support during the 1989-2013 period. During the 1990s, the primary focus of spending from regional OPs was on hard infrastructure in the form of roads, social facilities and basic services (e.g. water networks). In addition, a sizeable proportion of the spending in the areas of enterprise and innovation was on physical capital, such as to improve access to networks for firms or to construct research facilities.

By contrast, in the 2000-06 and 2007-13 periods, the share of spending in the regional OPs on physical capital fell relative to spending on softer measures, including business support, the environment, community development and support services for ICT. Spending on the tourism sector, similarly, evolved to become more orientated towards marketing and promotion, having favoured physical investments in earlier periods.

Basilicata benefited substantially from additional allocations of funding as a result of redistributions within the 1994-99 CSF, and from both ERDF and complementary national performance reserves in 2000-06. In addition, there were large flows from domestic programmes. For example, the public investment in the Fiat plant at Melfi over the period 1991-94, alone, was just over €1.5 billion, and domestic funding for economic development came through a variety of other programmes.

Shifts in the initial allocations of ERDF resources were limited during the 1989-93 programme period, apart from a relatively small proportion of funding transferred from planned spending on tourism to road infrastructure. Transfers of resources between priorities were much more significant in 1994-99, notably from innovative and soft measures to traditional and hard interventions: tourism allocations were reduced in favour of road infrastructure expenditure; ERDF spending on the production sector (mainly generic SME aid) was doubled; actual expenditure on school and hospital infrastructure was increased by almost 40 percent more than planned; and less was spent on innovation.

During the 2000-06 period, much more funding than planned was spent on, broadly defined, 'SME development' (often local business infrastructure) rather than specific foci such as the internationalisation of SMEs. Actual spending on tourism enterprises almost trebled, compared to initial allocations. The driver of some of these shifts was the new delivery model based on PITs, which led local authorities and others to focus more on obtaining funding for territorial assets in their local areas.

## **7.2 EQ2: To what extent do ERDF achievements meet regional objectives and needs in each programming period and across all periods)**

The second set of evaluation questions focuses on how effective the ERDF interventions were in fulfilling the objectives set out in programmes and whether they helped to address the needs of the region. Inevitably in a large and complex policy package, comprising both regional and national ERDF programmes, as well as domestic policy initiatives, the answer is mixed. The assessment reveals that the 'division' of labour between policy initiatives was not always clear-cut, but that there were nevertheless substantial achievements in building up physical capital, and in stimulating structural change, for instance by facilitating the expansion of tourism. Basilicata also achieved tangible progress towards meeting the societal objectives in programmes.

The overarching objectives from the start were to reduce the external economic dependency of the region by developing and exploiting endogenous potential, and to reduce internal socio-economic disparities. As noted earlier, the design of the programmes had a clear intervention logic for achieving both of these goals: they sought to invest in infrastructure to improve accessibility, build up the productive sector by supporting both SMEs and the business environment, exploit the region's natural and cultural resources to attract more tourists, and also improve basic services and utilities across the whole of the region - partly to improve quality of life (social cohesion) and development opportunities (economic cohesion). There was a continuity and consistency in pursuing these objectives throughout the 1990s, and to a significant extent in the 2000s, although the emphasis placed on different priorities shifted more towards promoting innovation and the development of SMEs in later regional programmes.

These were ambitious objectives insofar as the Basilicata regional authorities were seeking to facilitate transformational change in ways that would need to overcome physical, political and administrative constraints. However, the results were mixed, and the programmes enjoyed more success in, for example, developing the tourism sector than in

overcoming the region's acute accessibility problems. Efforts to boost SMEs and to foster innovation also had limited results. In parallel, national EU programmes had their own objectives narrowly focused on the specific focus of the programmes. For these, the proportion of the targets to be met within Basilicata was never clear, and with the region receiving relatively small shares of these programmes the effects were unlikely to be significant.

***EQ2a: What are the reported achievements of each programming period?***

During the 1989-93 programme period, monitoring focused more on financial progress rather than on what programmes achieved. Reporting of outputs recorded the considerable investment in water supply and waste water treatment, including that some 93,000 people were affected by investment in sewage networks, while 77,000 benefited from investment in water purification. Improvements in tourism involved 2,200 new bed-spaces being created through programme support. The region's own assessment was that ERDF interventions targeting SMEs created or 'safeguarded' 1,797 jobs, although so precise a figure has to be interpreted with caution given the limited attention paid to evaluation of programme results.

The 1994-99 programme established targets for interventions and used a new monitoring system of financial and physical indicators of outputs and results. However, monitoring does not appear to have been undertaken systematically in all cases, so that the data are incomplete and only indicative of programme achievements. Output data show both over- and under-shooting of targets for planned interventions. The ex post evaluation by Ismeri Europa (2002) estimated the overall impact of the CSF (the POP plus the relatively more limited resources from interventions funded by Multi-regional operational programmes) in Basilicata during 1994-99 at 4,806 'permanent' jobs and 8,380 'temporary' job (defined as jobs linked to the delivery of interventions/projects such as construction jobs). Although hedged with uncertainties about the data, the evaluation concluded that the funding had not resolved or significantly reduced employment problems but had made a major contribution to ameliorating social problems associated with unemployment.

In the 2000-06 period, there were four sets of achievements, all of which were more convincingly documented than in previous periods as a result of strengthened monitoring systems. First, investment in sustainable development, mainly involving improved water treatment, waste management and energy efficiency led to an overall improvement in citizens' well-being (examples include a 13 percent increase in the population with sufficient water availability and savings in energy use of up to 12 percent), as well as raising the environmental standards of SMEs. The mainstreaming of environmental criteria in project selection led to a four-fold increase in environment certification among the firms supported. Second, there were some achievements associated with actions to overcome peripherality and marginality, by shortening transit times between mountain communities and primary road links. This contributed to social cohesion and community development, as well as (according to some evidence) reversing the poor attractiveness of some areas, and possibly reducing out-migration. Less was achieved in terms of external access to the territory. Third, business aid support had positive effects on turnover and production capacity. Lastly, there is some evidence for employment effects - the region claimed that

2,659 jobs were created - although the programme focused more on containing unemployment and reducing gender inequality in the labour market (with some success according to measures of female entrepreneurship and female unemployment).

Further upgrading of the monitoring system was undertaken for the 2007-13 period, described by the regional authorities exemplifying best practice, although the quality of the monitoring data remains to be seen. It is not yet clear whether the programme will meet its objectives, although there is tangible success in areas such as social inclusion.

***EQ2B: To what extent were objectives achieved in each programming period?***

Unsurprisingly, the extent to which objectives were met varied hugely across the thematic areas covered by cohesion policy, as well as across periods. Over the entire period since 1989, there was most success in fulfilling objectives relating to structural adjustment, environmental sustainability, the labour market and social inclusion community development. In all periods, the achievements in these domains exceeded or were in line with expectations.

Aims for enhancing infrastructure endowments were slow to start, but gained traction in later programming periods. Finer-grained analysis suggests that the successes under this theme were mainly in basic services infrastructure, whereas, as has been stressed throughout this report, the aims in MOPs/NOPs were not well achieved in improving external transport links.

There is a more mixed picture in relation to the enterprise and innovation themes. The former is an area which under-achieved in 1989-93, but then improved to exceed expectations in 1994-99, before falling back to being average in the 2000s. Achievements in innovation were below par in the 1994-99 period, but have since improved and are on track to fulfil or exceed expectations in the current period. The most disappointing achievements record is in the spatial distribution of economic activity which under-achieved relative to objectives in 1989-93 (especially) and 1994-99 and in the current period, but which was as expected in 2000-06. It is, though, important to stress the magnitude of the challenges faced by the region as a result of its topography and relative isolation, and there have been noteworthy achievements in connecting the different parts of the region, so that despite the continuing decline of more remote regions there have been some achievements.

***EQ2c: To what extent were needs met in each programming period? To what extent can observed changes in regional needs and problems be imputed to ERDF programmes over time?***

Over the 1989-2013 period, the regional authorities responsible for programming made major efforts to design strategies in line with regional needs, underpinned by a concept of how the region should develop. However, with large and diverse needs, the authorities struggled to decide what the priorities should be, especially in fostering the creation of new enterprises and the broadening of the productive base.

In 1989, Basilicata had broad needs, considered to be very high in seven of the eight thematic areas and high in the eighth (Community Development). The achievements in

meeting these needs were greatest, exceeding expectations, in the three thematic areas of structural adjustment, environmental sustainability and community development, the second of these exceeding expectations in all four periods. There was under-achievement in structural change in the 1994-99 period and only average achievements in environmental sustainability in the last period.

Overall achievements fell short of expectations in relation to needs in the thematic areas of innovation and spatial distribution of economic activity and were somewhat erratic across programming periods. More has been achieved in relation to needs under the innovation theme in later periods whereas the only period, in which achievements in improving the spatial distribution of economic activity matched needs was 2000-06. The infrastructure theme encompasses diverse trends as between basic infrastructure for public services such as water or energy (for which expectations of meeting needs were realised in earlier periods and above expectations subsequently), internal transport (meeting expectations) and the failings in redressing external transport deficiencies.

***EQ2d: What have been the complementarities and synergies of ERDF interventions with ESF; EAGGF/EAFRD; and with domestic regional policy interventions?***

Basilicata made systematic efforts to take advantage of synergies between the Funds in both the formulation and implementation of the POP 1989-93. Both the *Cabina di Regia* (Steering Committee) and the programming department aimed to minimise duplication, but these aims were only partly realised. Financial planning to integrate different funding sources was relatively smooth, but there were mixed experiences with achieving an integrated approach to strategic planning and implementation. Positive examples of synergies can be found in the planning of EAGGF, LEADER and ERDF, where specific procedures were put in place to avoid overlap of interventions in the rural sector. By comparison, synergies between the first ERDF programme (designed as a series of sub-programmes) and the ESF programme were less structured, mainly because each regional department worked separately on programming, and the differences in the Funds' implementation procedures inhibited alignment. In the 1994-99 period, the regional authorities sought to align implementation: all programming proposals had to be approved by an 'Interdepartmental Technical Commission' to verify strategic coherence with the POP. This increased the level of synergies, especially for funding directed to SMEs and employment.

The same applied in 2000-06, which was also notable for efforts to improve complementarity with national ERDF programmes. Whereas in the 1990s, the regions had only limited input to the national spatially targeted funding (as opposed to the large grants for the likes of Fiat), 'Framework Programme Agreements' (*Accordi di Programma Quadro*, APQ) were used to delineate regional and central competencies and resources were better defined. However, the framework did not give Basilicata a significant voice in national funding decisions.

The increased level of integration across the Funds at regional level was weakened by the mono-fund programming adopted in the 2007-13 period; the scope for synergies was reduced by having separate Managing Authorities for each Fund, and the scope for cross-



financing had limited effect. A joint inter-Fund committee was established, but it met irregularly and ERDF/ESF synergies were only discussed as and when project-specific requirements arose.

Turning to complementarities and synergies with domestic funding instruments, Basilicata was receiving domestic funds for territorial development prior to 1989 (post-1980 earthquake reconstruction aid and 'Special Intervention' dating back to 1950), which had provided some experience with coordinating different (national-regional) funding sources through unitary management. After the ending of Special Intervention in 1992, the region was able to use national enterprise incentives provided by Law 488/1992 (channelled also through the NOP Local Development). These incentives influenced the region's strategic allocation choices, specifically its decision not to invest heavily in enterprises during the 1990s, but to channel ERDF funding to other strategic priorities such as the environment and tourism. In the 2007-13 period, national funds are now provided via the unitary framework of regional policy, notably the Fund for Under-utilised Areas' (*Fondo per le Aree Sottoutilizzate*, FAS). These should have been complementary to EU resources (as was the case in 2000-06 when the funds were given to both the northern and southern regions of Italy according to specified criteria), but the national government decided to divert part of the funding planned for infrastructure development for use on anti-crisis measures and national emergencies.

***EQ2E: What has been the overall contribution of ERDF programmes to regional development?***

At the outset of the 1989-2013 period, Basilicata was a region with per capita GDP and an employment rate well below the rest of Italy and was characterised by significant internal disparities. There were major socio-economic differences between rural, mountainous, coastal and border areas. Analysis at the time diagnosed a combination of development problems, notably the lack of entrepreneurial spirit, inadequate human capital, deficiencies in the quality of advanced services, difficulty in commercialising regional products, and underutilisation of the region's environmental and tourism assets. There was also unease at the competitive challenges from Spain and Portugal which had recently become Member States of the European Community.

ERDF spending in the region has, to differing degrees, contributed to resolving many of the needs of the region, but after two decades of significant investment, there are continuing problems. Thus, despite being a core priority in all four programming periods, accessibility has only partly been improved. The internal road system is better, with faster journey times and greater safety. The two provinces are better connected, and businesses are able to serve a larger market across the region. However, the road system is still inadequate (with only one motorway going as far as Potenza) and promised investment in the railway system has failed to connect Basilicata's second city, Matera, to the national rail network because a link towards Campania has not been completed. Road improvements have not slowed down the emigration from mountain areas, with people being attracted towards better connected towns. Although largely outwith the control of the region, external accessibility is poor, and the region lacks port and airport facilities.

By contrast, ERDF support has helped to meet needs for improved basic public services, such as water, sewage and purification systems, schools, university, hospitals and ICT services. Beyond the direct consumer benefits, these interventions facilitated better use of water resources, a higher level of environmental protection, and the development of the ICT and tourism sectors. The investment carried out in these sectors contributed to improved wellbeing, social cohesion and community development.

The improvements in these public services were pivotal for the strategic objectives of sectoral development, mainly agriculture and tourism. ERDF supported the EAGGF in introducing significant changes in the farming sector (notably affecting land tenure and farming organisations) took place, encouraging the commercialisation of products. Investment in agri-tourism represented an important cultural shift in the rural sector, providing new sources of income. Indeed, tourism was the sector in which change can be most readily imputed to ERDF investments. They financed the building of new hotel facilities and played a fundamental role in the preservation of the environmental and cultural heritage, as well as developing the tourism potential of smaller communities. In absolute terms, there was an increase in tourism flows - between 1999 and 2008, Basilicata reported an average annual growth in tourism of five percent, compared to the national average of 3.4 percent - even though the region attracts many fewer tourists than other southern Italian regions. New opportunities for cultural tourism were created, mainly in Magna Grecia, medieval towns and in Matera; elsewhere, tourism investments have been catalysts for improving the social conditions of remote settlements.

ERDF spending was less successful in meeting needs for enterprise development and, specifically, for fostering internationalisation. While the ERDF contributed to the modernisation of the industrial sector, it did little to broaden the region's industrial base. Local SMEs still focus on traditional products, even though the ERDF contributed to a greater diffusion of entrepreneurial culture, countering the risk-averse culture that characterized SMEs at the beginning of the period. Even so, the need for innovation among SMEs is still high and ERDF is only now focusing on improving on the diffusion of innovations. Much of the early spending went into the research infrastructure rather than promoting technology transfer and university-industry links.

It is difficult to identify direct results or enduring impacts in the labour market. Investment by the Structural Funds increased the range of training programmes and courses and the stock of qualified human capital, with ESF spending playing an important role in supporting some of the large industrial investments in the region. Such spending also acted as a social shock absorber during economic downturns. Nonetheless, there is still a high level of mismatch between worker skills and labour demand.

#### **7.4 EQ3: What are the main lessons learnt on the effectiveness and utility of ERDF interventions?)**

The main lessons learnt from ERDF support relate to the institutions and administrations and their ability to deploy the SFs method. The application of the Community method favoured a shared view of development of the region, as well as promoting a better allocation of resources towards specific objectives over the years. The multi-annual

budgeting approach also led to a better integration of resources and policies at the EU, national and regional levels. Connected to this, the dissemination of monitoring and evaluation practices favoured the orientation of policies towards results. Further lessons learnt bear on programme design, implementation, results-based management and achievements.

The experience of Cohesion policy in Basilicata since 1989 suggests that when matched funding is tied to a widely accepted strategy, it can impart a coherence of purpose and concentration of resources and is less likely to lead to 'capture' by the actors involved. Consequently, when anchored to regional strategic plans, ERDF actions will become more effective, because they become part of a broader development design, as in the case of the RDP during the 1989-93 and 1994-99 programming periods. Therefore, a clear vision of the region and political guidance translated into a regional plan is needed to frame SFs in a more integrated manner. From this insight, other specific lessons can be drawn.

First, when the strategy of the ERDF is based on an accurate assessment of regional needs and problems, the utility of the interventions is likely to be greater. A key element is finding actions that respond effectively to current problems but are also able to anticipate new scenarios.

Second, the application of short- and long-term problem-solving solutions is also intertwined with the quality and the quantity of investments. A critical factor is the major orientation towards the quality of the interventions rather than the quantity. The pressure of the N+2 rule encourages efficiency, while negatively impacting upon the effectiveness of the interventions against the goals set as objectives. The fear of 'losing money' pushes the regions to spend resources without putting emphasis on the utility and impact of the actions. In some cases, delays were not necessarily due to measures that were not responding to regional needs, but rather to their innovative and experimental character. Following from that, the timeframe for implementation should be differentiated according to the typology of intervention: more time should be given to innovative actions, which also need grassroots communication throughout the territory to achieve the widest possible results.

Third, the presence of specific governance bodies devoted to Environment Sustainability and Gender Equalities (imputed to the stimulus of EU and DPS) proved to be a driving force to increase regional awareness on environmental protection and gender equalities through the deployment of positive and mainstreamed actions. An important lesson to learn is that the guidance of these bodies and positive actions can deliver encouraging results. Therefore, specific cross-cutting issues also need support via positive actions to maintain high awareness that leads to cultural change.

A final lesson is that the timetable for policy implementation has to be considered carefully. Developing a suitable programme and the projects that fall within it takes time. Effectiveness can be increased, especially when programmes have to be prepared and agreed in a relatively short timeframe by anticipating the project design phase and thereby ensuring the quality of the investments. For Basilicata, already having a pipeline of projects at the start of both the 1989-93 and 1994-99 programmes proved to be an advantage.

Similarly, enhanced monitoring of progress can make it easier to review priorities as a programme evolves and - as Basilicata did during the current programming period - to adjust the resources for different priorities.

In the area of achievements, a key lesson from Basilicata is that there has to be provision for the recurrent costs of using, as opposed to constructing, physical capital. It is an open question which agency should bear these costs, but there are examples from Basilicata (for examples in the use made of new social infrastructure in the 2007-13 period) of sub-optimal use of facilities supported by ERDF funding. The risk is that the utility of ERDF investments will be undermined. In much the same way the utility of ERDF programmes can be diminished if there is an imbalance between hard and soft interventions, with evidence from Basilicata that too much went into policies aimed at improving business parks and premises and not enough into marketing and innovation support.

### ***EQ3a: What are the main good/bad practices?***

We can single out two main good practices:

(i) a clear vision of regional development supported by an organisational chart of the programming department with unitary direction and coordination<sup>42</sup>. A key factor was the existence of a Regional Development Plan with clear and precise objectives, which guided the allocation of ERDF resources.

(ii) a stable political class and low levels of managerial turnover<sup>43</sup>, which allowed continuity of strategies, actions and interventions, with a minimum of political interference.

The 'unitary direction' of programming and management of Structural Funds allowed for effective financial matching of domestic and Community resources, delivered through regional sectoral programmes (mobility and water resources) to address deficits in the basic service infrastructure. Having a pipeline of projects (including a database of projects) and appropriate implementation bodies improved the efficiency of the programme and the quality of interventions respectively. In addition, the experimental use of the global grant for enterprises and the favourable economic context of the 1990s reinforced the POP effects.

In terms of bad practice, the principal shortcoming of the first two programmes was that the potential impact of the available resources was overestimated, leading to unrealistic expectations. The strategy was unable to broaden the economic and entrepreneurial fabric due to the excessively conservative nature of the industrial sector, the limited inclination to invest in non-traditional sectors, the inadequacy of the financing system, and the fact that the programmes were too focused on the agricultural sector. In addition, political

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<sup>42</sup> It must be noted that this practice was particular strong during the first two periods (1989-1999). From 2000 until now, there has been a lack of a clear vision of the region. In recent times, shared long-term development programmes have not been designed and both the 2000-06 programming cycle and the negotiation of the 2007-13 programme were affected by this.

<sup>43</sup> Indeed, from 2004 onwards, the high levels of MA and departmental manager turnover resulted in continuity problems with regard to the programming and implementation of interventions.

decision-makers prioritised assistance for micro-businesses and small firms over investment in strategic sectors, especially during economic downturns, and were sometimes overly influenced by vested interests. However, the crucial role of domestic funding in attracting large industrial investments was plainly significant, suggesting that the ERDF was deliberately focused on other forms of enterprise.

Too much effort probably went into supporting artisanal and industrial districts through 'Production plans' and 'Industrial development areas'. Although lauded by the managing authorities, they subsequently led to fragmentation in the allocation of funding. Moreover, progress in this respect was slow because of implementation delays due to the lack of technical competences of the municipalities and consortia that had been put in charge of implementation, as well as administrative red tape.

In later programmes, the adoption of EU-wide priorities seemed to undermine a strategic vision for the region. Although the Lisbon agenda - especially - highlighted the importance of the knowledge economy, it was also more intrusive in putting forward priorities that were only partially coherent with regional needs, leading to implementation delays. Finally and crucially, the worsened economic conditions had a significant negative impact on the achievements of the 2000-06 programme (with some investment extended to 2009) after 2007. ERDF spending since the crisis has had an anti-cyclical function - supporting enterprise competitiveness and maintaining employment - and it seems to have led to short-termism, undermining the previous, more strategic focus on long term development. In addition, changing priorities in national programmes resulted in under-investment in the major infrastructural nodes essential for the region's development.

***EQ3b: What conclusions can be drawn for improving ERDF programme design, implementation, results-based management, achievements?***

In some respects, the experience of Basilicata offers valuable insights for future Cohesion policy programmes. It shows that a good strategic plan for the development of the region, applied consistently and sufficiently funded, can be transformative. At the same time, Basilicata's Cohesion policy history draws attention to the difficulties inherent in bringing together development policies funded from disparate sources. As observed in the ex-post evaluation of the 1994-99 CSF in Italy (Ismeri Europa, 2002), shortcomings in one policy area can adversely affect the achievement of common objectives. In Basilicata, the striking example is the continuing deficit in external rail and road links resulting from the inadequacies of investment under national Cohesion policy and domestic programmes. The conclusion for future ERDF programme design is, on the one hand, that a long-term vision is needed to establish a framework for policy interventions, thereby providing a roadmap. On the other hand, there has to be a means of reconciling the aims of different programmes which may have conflicting objectives, some specifically for the region, while others concern wider national or territorial imperatives.

For small regions such as Basilicata, the interactions with neighbouring regions are important in shaping economic development, especially where the encouragement of business networks is considered to be priority. Where national or multi-regional programmes function alongside regional programmes, there is an opportunity to pursue

such an approach, but it has not worked well for Basilicata for two reasons. First, Basilicata appears not to have been prominent in Italian national priorities for transport corridors, with the result that it remains poorly connected. Second, when a region ceases to be eligible for NOPs, as has happened to Basilicata in the current programme period, its needs are less likely to be incorporated in programme strategies.

Having a pipeline of projects even before the launch of the 1989-93 programme was helpful to Basilicata, especially in the context of the regional development plan. Shifts in requirements for thematic priorities (ostensibly imposed by 'Brussels') were, however, a problem insofar as they led to a focus on policy interventions that were less suited to the region's needs. In part this is a problem of sequencing in the intervention logic, because it tends to be easier to diagnose, then seek to correct, a fundamental development gap, than to agree on what directions make most sense in relation to an innovation-led form of development or fostering the knowledge economy. It also has to be recognised that changes in the intervention logic require new skills from programme managers and that these take time to acquire. There is, consequently, a tension between continuity and new policy methodologies.

The means by which firms, especially SMEs are assisted is worthy of attention. In Basilicata, there is a relatively weak entrepreneurial culture and less experience of business networks than elsewhere. An implication is that the policy mix should include efforts to develop such networks or to promote clusters, and not just to offer support for individual firms. Some economic priorities set at EU level did not correspond well to the actual needs of the region, or could not be effectively adapted by the programming authorities. This was the case with, for example, business innovation which was identified as important in the first 1989-93 programming period, but could not be applied in ways that suited the production structure of an underdeveloped region. In more recent periods, the same occurred with urban support: the intention to strengthen cities in order to favour positive agglomeration externalities is understandable, but it was inadequately adapted to suit the region's characteristics. For future policy towards economic change, the inference is that care is needed to avoid overly prescriptive themes, and to ensure that top-down policy orientations are, at least, carefully customised to the specific circumstances of regions.

The application of results-based management in Basilicata has been valuable, not least in showing how good monitoring can be used to adapt programmes. More generally, the diffusion of successful practices, including experimental policies, should be more systematic. In Basilicata, the promotion of 'a PC in every home' or the efforts to go door-to-door in ascertaining firms' innovation needs are examples of initiatives adjudged to have had encouraging results in stimulating and embedding an innovation culture.

A last conclusion is that the durability of policy results has to be explored. Basilicata has changed markedly since the 1980s and can, albeit with some reservations, be regarded as a success story, but the fragility of some of its achievements cannot be ignored. Even if the present economic crisis and the tribulations of the Italian economy as a whole are regarded as exceptional, rather than something that will recur soon, renewed emigration and the vulnerability of Basilicata's industrial base are causes for concern. The message for future policy may therefore be that over and above standard macroeconomic indicators such as

GDP per head or the performance of the labour market, a key watchword for policy should be resilience.





## 8. ANNEX I - ANALYSIS OF PROJECT SAMPLES

### 8.1 Sviluppo Basilicata (Basilicata Development)

#### 8.1.1 Summary description

'Basilicata Development' (*Sviluppo Basilicata*, SB) is the business support agency of the region. It is a project that encompasses multiple projects with separate funding tranches for capital across all the programming periods (POP 1989-93, POP 1994-99, ROP 2000-06, OP ERDF 2007-13). SB has undergone several changes in designation and organisational structure, and today it is an in-house company of the Basilicata Region.<sup>44</sup> Its objective is to support the development of production activities and entrepreneurial culture through the provision of technical assistance to SMEs and the management of financial instruments promoted by the Basilicata Region through EU, national and regional funds (venture capital, global grants and guarantee funds). Table 15 highlights SB's organisational changes and main activities with respect to ERDF and national funding. Venture capital operations that took place in the 1989-93 and 1994-99 programming periods will be analysed in more detail.

**Table 15: SB's organisational changes and main activities with respect to ERDF and national funding**

Year	Company name	Legal entities	Funds	Activities	Allocation	Outcomes
1986-91	Systema	Limited (Ltd) company	IMP	Technical assistance to municipalities for ERDF applications	-	-
1991-99	European Enterprise Innovation Centre ( <i>Centro Europeo di Impresa e Innovazione Systema, CEII</i> )/(BIC Basilicata)	Cooperative Limited company	POP 1989-93 (implementation 1993-97)	Intermediate body to manage the global grant for SMEs  Venture capital	Total cost global grant: €19.04 million. ERDF: €9.5 million Private funds: €9.53 million  Total cost: €8.6million	17 business partnerships (participation on company board) 2 start-up capital 15 seed capital

<sup>44</sup>L.R n.27 07/08/2009 (Article n.39).

**Table 16: SB's organisational changes and main activities with respect to ERDF and national funding (Continued)**

Year	Company name	Legal entities	Funds	Activities	Allocation	Outcomes
			National law 488/92	Business plan for private enterprises to apply for national incentives	-	-
			Private and other regions' funds	Technical assistance to implement other regional BIC centres	-	BIC Salerno BIC Calabria BIC Messina
1999-2002	CEII Systema (BIC Basilica)/ Systema BIC Basilicata /Sviluppo Italia Basilicata	Cooperative Limited company Joint stock Cooperative	POP 1994-99 (Implementation 1999-2006)	Marketing programme for Basilicata SMEs Global grants management  Venture capital	Total cost: €9.53 million €5.5 million Private funds: €5.1 million  Total cost : €9.5 million of which €4.6 million ERDF €4.9 million of private capital.	4 SMEs financed 3 venture capital 70 jobs created
2000-09	Sviluppo Italia Basilicata	Joint Stock Company (JSC) Controlled by the Ministry of Economy and Finance	National law 219/81 (Implementation 2002-07)	Technical assistance for Contract Area	Investment for SMEs: €103.1 million Public funds: €103.1 million Infrastructure: €6.4 million	16 SMEs 486 jobs created 6 industrial infrastructure
			D.lgs. 185/2000 (2002-07)	Management of grants and incentives for self-employment and SMEs  Technical assistance to SMEs and PA	Self-employment: €26.3 million Investment for SMEs: €25.4 million	2,176 jobs created (estimate)
2009 to date	Sviluppo Basilicata	JSC owned by Regione Basilicata	OP 2007-13 Regional funds	Managing of SME grants for innovation	ERDF: €41.1million	To date: 110 initiatives selected 293 jobs created (estimate)
				Guarantee funds	ERDF: €28.8 million	2011: €7.94 million investments planned
				Regional venture capital launched 2011	€8million	Ongoing

Source: Sviluppo Basilicata Fatti, atti e dati. Dal 1986 a settembre 2009. (Potenza, September 2009).

### **8.1.2 Underlying problem and context**

The establishment of a business-support agency responded to the needs of enterprises and public bodies regarding support with application procedures for public financing. Although SB was created by a consortium of private actors, its mission and tasks were complementary to the community development programmes and their implementation. In fact, the launch of SB anticipated the European investment strategies for SMEs, implemented via the Business Innovation Centre (BIC) of the European Community. The perceived needs have changed over time, and SB has now acquired the role of local development promoter for the attraction of foreign investment. In so doing, the agency's activities have been aligned to the regional development strategies aimed at overcoming the marginality of the region's production system.

### **8.1.3 Detailed description**

Even though it has undergone modifications over time, the global objective of SB is to support the development and competitiveness of the region. Its functions and tasks have evolved from the initial consultancy activities to: (i) offering support to enterprise start-ups; (ii) vocational training; (iii) project design; (iv) financing local development projects through EU, national and regional (venture capital) funds; (v) creation of business incubators for technology transfer; and (vi) enterprise-internationalisation services.

The organisational structure has been modified over time. Public bodies (e.g. the Basilicata Region), universities (e.g. the Bocconi of Milan) and financial institutions (e.g. *Banca Intesa* and *Mediocredito Lombardo*) have participated. In 2000 - when it became 'Italia Development Basilicata' (*Sviluppo Italia Basilicata*) - the sole administrator of the company was the Ministry of Economy with minor participation of the Basilicata Region; today, the latter owns the company in its entirety. SB *de facto* acts on one hand as a private body that carries out consultancy activities, and on the other hand as the financial company of the Basilicata Region with whom SB stipulates financial conventions and agreements

During the first two 1989-93 and 1994-99 programming periods (see in text Table 9.1 for the related financial allocations), SB - whose company name was soon changed to BIC - became the implementer of ERDF global grants. By using venture capital,<sup>45</sup> it became part of the enterprises' share capital. At the same time, it acted as private consultant for designing business plans to support enterprises in applying for grants provided by Law 448/92. During the 2000-06 period, rather than focusing on the SFs, and also because of the transfer of ownership to the national agency 'Italia Development' (*Sviluppo Italia*), SB concentrated its activity on national funds connected to Law 219/81 for the recovery of industrial areas after the 1980 earthquake as well as the D.lgs 185/2000 providing grants for self-entrepreneurship.

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<sup>45</sup> EU regulation n.4253/88 Article 17 (3).

Finally, in the current 2007-13 programming cycle, SB's task is to manage the Innovation and Competitiveness Fund, as well as the Guarantee Fund (ERDF) and a new venture capital initiative.

In comparison with the lack of business services for enterprises that characterised the territory, SB was a novelty. In practice, the risk capital reduced the financing difficulties of SMEs, and the project's medium/long-term logic consequently aimed to ensure support for enterprises rather than focusing on obtaining immediate results. Only at the end of the investment period was the capital invested by SB refunded and subsequently re-utilised.

#### **8.1.4 Outputs and achievements**

The outputs and achievements relate to several different types of activity. Overall, according to the report on over 20 years of activities, the agency has supported €60million worth of investments, 3,000 enterprises and 4,500 new workplaces (SB, 2009). During the first venture capital experience (1993-97),<sup>46</sup> 17 business partnerships were developed, two start-ups and 15 seed capital initiatives were launched - all involvement in these activities has now ceased. Despite the lack of baseline indicators, a benchmark analysis of the Basilicata and Molise regions (EC, 1998) highlighted that in Basilicata, the BIC acted as a development driver, producing an 8.2 percent increase in the number of enterprises. The newly started enterprises had high survival rates and high technology levels (EC, 1998). Moreover, the turnover of enterprises and the total number of workers in companies of which BIC was a shareholder grew from 1994 to 1997 respectively by 65 percent and 48 percent (Scotese, 1999). The venture capital experience of the 1999-2006 period was different.<sup>47</sup> Four enterprises were financed, three risk capital initiatives were developed, and one participation loan, but no bonds were financed; in 2009, SB was still involved in these activities. A legal dispute between SB and the EC has hindered the financing of further initiatives. In November 2002, the global grant managed by BIC Basilicata recorded an expenditure level of 88.3 percent (Ismeri Europa, 2002), thus indicating a good performance. Generally speaking, the two projects via the provision of financing as participation in share capital, participation loans and bonds represented a good model for the management of the financial mechanisms connected to the SFs (Interview n.23).

#### **8.1.5 Value-added**

It is not possible to identify the effectiveness of SB's interventions simply from reading the expenditure performance of the programmes. They are complex interventions aimed at **supporting development projects**. As some of the beneficiaries interviewed declared (Interviews n.13 and n.22), the value of SB's interventions is to be found in the dissemination and channelling of important elements of the entrepreneurial culture such as

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<sup>46</sup> The amount financed for each intervention was a maximum of 650 million Italian Lira. The investments, regulated by special shareholders' agreements, have been included within the maximum limit of 49 percent of the company share capital for ten years.

<sup>47</sup> The amount financed for each intervention was €250,000 for seed and start-up capital operations and €1million for enterprise expansion operations, within the maximum limit of 49 percent of the company share capital for seven years.

economic, financial, administrative and management competences in business planning and organisation. Nevertheless, further attention to internationalisation issues is still required (Interview n.13), and some interviewees pointed out the risk of bureaucratisation of the agency after its regional acquisition (Interviews n.18 and n.48).

### **8.1.6 Management and monitoring issues**

SB is financially monitored by the company Audit Committee<sup>48</sup> and also by Basilicata Region.<sup>49</sup> The agency has been subjected to evaluations aimed at assessing its financial situation when it became 'Italia Development Basilicata'. The first venture capital project has been evaluated (EC, 1998), but data on the sustainability of its achievements over time is not available. There is no specific data on how many of the enterprises supported are still active or how many of the jobs created have remained. According to SB, 80 percent of the enterprises supported with the first venture capital and 100 percent of those supported with the second venture capital are still active (Interview n.11)

### **8.1.7 Conclusions**

SB's actions responded to the assistance needs of enterprises and also to needs relating to the competitive development of the territory, and SB is now a reference point for the business sector. In relation to the two specific cases examined, SB contributed to strengthening the capitalisation of the companies. In sharing the enterprises' financial effort, SB induced a situation of financial balance that allowed the launch of enterprise start-ups and business development projects. The project allowed the region to make a better use of the SFs, creating new economic opportunities for local businesses. SB's action positively affected the regional economic culture as well as the entrepreneurial culture, which are important pre-conditions for development.

## **8.2 Un Computer in ogni casa (A PC in every home)**

### **8.2.1 Summary description**

The project 'A PC in every home' (*Un computer in ogni casa*) was carried out within the wider framework of the integrated project Basitel2 within the ROP 2000-06. This was the implementation instrument for the realisation of the interventions included in the regional IT plan for the promotion of the Information Society, Basitel (and its successive revision and extension, Basitel+), which in the 2007-13 programming period corresponds to the 'Regional Strategic Plan for the Information Society' (*Piano Strategico Regionale per la Società dell'Informazione*, PSRSI, 2008). Basitel (€106 million) was financed by the ERDF and the 'National action plan for e-government' (*Piano di azione per l'e-government*), with resources coming from the sale of the Universal Mobile Telecommunications System (UMTS) licences. The project was financed by the 2000-06 ROP ERDF with €24.789 million (€ 23.952

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<sup>48</sup> D.Lgs. 231/2001.

<sup>49</sup> SB supports Basilicata Region in the implementation of interventions targeting SMEs. The agency constantly reports the expenditure level of these interventions through software capable of exchanging data with the information monitoring system of the region.

in constant 2000 prices) and was officially launched on 2 April 2001, with its conclusion expected in December 2002. The project was successively renewed within Basitel+ and named 'A PC in every home 2' (*Un computer in ogni casa 2*).<sup>50</sup>

The project was aimed at establishing and activating a universal digital literacy service for the region's citizens, promoting access to IT services in order to create the infrastructure and cultural pre-conditions necessary for the development of an Information Society. In practical terms, through the provision of a financial contribution, families were incentivised to purchase a computer with internet software so as to be able to access the internet and visit the regional administration's web portal *Basilicata.net*.

### **8.2.2 Underlying problem and context**

The project was instrumental for the realisation of the Information Society and the public administration's need to provide services through the internet. Given the scope of the action, the aim was to combat the potentially distorted effects of the digital divide caused by the implementation of e-government interventions, as some segments of the population lacking IT skills and instruments could potentially have been excluded. The project did not originate from a need expressed by the final beneficiaries of the intervention, but it contributed to the emersion of the population's latent needs related to the necessity of accessing the internet to communicate, search for work, and interact with the administration online.<sup>51</sup> The project was coherent with the computerisation process that had been promoted transversally in all sectors by the OP ERDF.

### **8.2.3 Detailed description**

Included in measures 5.1 *Urban areas reinforcement and requalification policies* and 6.2 *Soft Networks action A*, the project, was framed in a specific sub-project of Basitel - Information Society (INFOSOC) - and directed at increasing the opportunities offered to the public by the Information Society and at developing digital citizenship. The specific objective was to broaden the IT infrastructure basis to promote the use and diffusion of information technology, guaranteeing: first, a contribution of about €660 on average per family for the purchase of a computer, or a higher amount (€723) for lower-income families; second, a contribution for the connection to the regional network and internet, of which 80 percent was refunded immediately and the remaining 20 percent after the user had been connected to the regional computer network for 120 hours; and third, follow-up services for additional support, such as a digital literacy course on the use of the internet and access to regional services that required authentication, or the booking of medical examinations.

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<sup>50</sup> The data and the analysis refer to 'A PC in every home 1' (*Un computer in ogni casa 1*).

<sup>51</sup> Survey carried out by the independent evaluator 2000-06 on 1,965 of 36,000 beneficiaries involved.

#### **8.2.4 Outputs and achievements**

The project was remarkably successful. There were 49,505 applications of which 36,000 were selected, with the consequent installation of 40,000 internet access points (Regione Basilicata, 2006c). One of the project's stated achievements was the involvement of population segments most at risk in terms of digital divide, but an examination of the users indicates that there was a low access level in the over-60 bracket (2 percent) and of people without a diploma; therefore the degree of inclusion of some segments remained low (Ernst & Young, 2003c). Nonetheless, the high level of distribution of computer access points across the region compensated for this, even though there was a greater concentration in the higher-populated municipalities. The striking success of the project was also due to an incisive advertising campaign, favoured by the fact that the interventions promoted via Basitel were shared by the stakeholders in the 'Permanent Conference of Local Authorities' (*Conferenza permanente delle Autonomie Locali*), which included mayors, presidents of provinces and presidents of mountain communities.

#### **8.2.5 Value-added**

The modalities for the disbursement of the contributions (the criteria were the income and the hours of access to the internet), as well as the presence of the follow-up actions, highlighted the integrated character of the project that was unanimously judged by the interviewees as good practice. The survey conducted underlined that before the launch of the project, 34 percent of those interviewed had never used a computer and 78 percent did not possess one. Even in the case of people that already had a computer, the contribution allowed them to upgrade their existing IT equipment. Moreover, 40 percent of the interviewees declared that they would never have used the internet if they had not been encouraged to do so by this innovative incentive mechanism. The project can therefore also be judged positively from an additionality perspective. There was no integration with the ESF in terms of IT courses.

#### **8.2.6 Management and monitoring issues**

The project's selection procedures were based on the users' income, with the provision of a higher contribution for people with a yearly income lower than €10,000. Management of the services was assigned to a private company. The outcomes were accurately measured; 40,000 internet-access stations were created for a population of about 600,000. The project was evaluated positively by the independent evaluator in terms of customer satisfaction. In terms of the overall impact, at the conclusion of the programming cycle the population with access to the internet was 48.9 percent, a remarkable increase in comparison with the 27 percent of 2001.

#### **8.2.7 Conclusions**

There was a good correspondence between outcomes, achievements and objectives. Even though the intervention was not preceded by a needs analysis, the needs appear to have been met, and the offer of services was actually higher than the demand. In practice, it was not possible to fully sensitise public awareness with regard to online transactions and

payments (Interview n.2); similarly, the project did not succeed in increasing e-commerce to favour SMEs (Interview n.28). Overall, the project can definitely be considered good practice, but it could have been organised in such a way as to provide further follow-up actions and target the less-educated users more appropriately. The project 'A PC in every home' contributed, together with Basitel, to raise the level of computerisation in the region, with significant benefits connected to the use of the regional IT services in the healthcare sector. As stated by one of the interviewees, there was a leap forward that enabled the region to catch up with the EU average of indices of internet access. Moreover, the intervention favoured local IT enterprises, some of which operated in other European countries (Interview n.28). Finally, all the interviewees agreed that the project and the development of the Information Society had an incisive cultural impact that favoured the establishment of a computer science course at the University of Basilicata.

### **8.3 Basilicata Innovazione (Basilicata Innovation)**

#### **8.3.1 Summary description**

The project 'Basilicata Innovation' (*Basilicata Innovazione*, BI) was launched in May 2009 within the OP ERDF 2007-13 following agreement between the Area Science Park of Trieste and the Basilicata Region. The initiative aims at triggering an economic development process centred on technology transfer to SMEs, in order to optimise local research skills and to increase the rate of enterprise start-ups in innovation. The project is financed by the OP ERDF 2007-13 and is ongoing. It is divided into two implementation cycles of three years: July 2009-June 2012, with financing of €9.8 million (€8.09 million in constant 2000 prices); and July 2012-June 2015, with financing of €13.46 million<sup>52</sup> (€11.11 million 2000 prices), equivalent to a total amount of €23.26 million<sup>53</sup> (€19.2 million in constant 2000 prices). Despite the fact that the project is still ongoing, it has been chosen as a mini-project case study for more in-depth examination, because it presents significant elements of originality with respect to the innovation actions implemented in previous programming cycles.

#### **8.3.2 Underlying problem and context**

The project responds to a need only partially perceived and expressed by the enterprises. As highlighted in the interviews, in some cases the entrepreneurs are aware of their innovation needs but they lack the necessary in-house competences; in many other cases, the capacity to identify the needs is lacking, especially in those situations where incremental innovation is not enough but more radical changes are required (Interviews n.6, n.35, n.36, n.48 and n.49). It is still too early to identify an eventual variation in the perception of needs as an effect of the project's implementation, but it can be affirmed that after two years the beneficiaries are now starting to acquire a greater understanding of the utility of a permanent technical structure for innovation such as BI (Interview n.6).

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<sup>52</sup> At the Steering Committee meeting in March 2012, the budget was reduced by €3 million.

<sup>53</sup> To carry out the analysis, the first two years of implementation of the project are considered to have ended on 27 February 2012.



This is in line with a regional strategy that in the previous 2000-06 programming period had already aimed at the establishment of an agency for innovation capable of providing technical instruments and adequate know-how to favour technology transfer processes (Regione Basilicata, 2011a).

### **8.3.3 Detailed description**

The global objective of the project is to create a permanent network and system capable of combining research and enterprises so that (i) the enterprises' awareness of innovation can be raised, with innovation as a means to improve their competitiveness, (ii) research institutions are encouraged to adopt methodologies to transfer their research results, and (iii) highly qualified human capital is assisted in finding employment. The organisations involved in the project, apart from the SMEs, are: the Basilicata Region; Area Science Park of Trieste as project leader; Innovation Factory (an in-house society of Area Science Park) as project partner for the development of business incubators; and the University of Basilicata and the National Research Committee (*Consiglio Nazionale delle Ricerche*, CNR) whenever needed.

The project's specific content relates to the development of three factors:

- 1. Research projects for enterprises:** BI offers free technology transfer services for enterprises (and especially companies operating in the automotive, agro-industry, Earth observation, wood and furniture, and specific materials sectors). In practical terms, after having contacted the enterprises and met the entrepreneurs to identify and fully comprehend their innovation needs, BI identifies the appropriate leading research institutions (either operating in the region or external) to request tailored scientific solutions and consequently activates a research process that responds to the enterprises' innovation needs.
- 2. Validation paths:** BI supports researchers in activating processes directed at allowing the research results to reach the market (validation) in order to patent new ideas, enhance existing ones and make them competitive in the market.
- 3. Business incubator 'First Mile' (*Primo Miglio*):** this model of business incubator supports groups that are unable to access capital and services to commercialise their innovative ideas.

### **8.3.4 Outputs and achievements**

Regarding the outcomes, at the end of the first two years the project had involved 681 enterprises, exceeding the target of 500 planned for the first three years; 258 are companies involved in research projects, against the 150 planned; there are 34 research projects for enterprise against 40 planned; and 15 validation paths as planned. The business incubator involved four development groups after having examined some 80 proposals. BI's performance can be judged as high level, with some delays in the activation of new projects due, first, to the start-up of the structure, and second, to initial mistrust on the part of local actors towards the external project leader; subsequently, the external project leader was appreciated for the high degree of impartiality it assured (Interviews n.6 and

n.32). Concerning the achievements, an estimate based on a sample of enterprises that benefitted from innovation interventions indicated that there was an increase in the employment rate (+8.7 percent) and in the turnover (+10.2 percent).<sup>54</sup> The expected long-term achievements are connected, from an economic perspective, to the growth of the enterprises' turnover, and in qualitative terms to raising awareness about innovation, with a transfer of competences and innovation to the enterprises.

### **8.3.5 Value-added**

The project has a high value-added content. The beneficiaries interviewed (Interviews n.48 and n.49) stated that without BI's support it would not have been possible to identify the enterprises' innovation needs and to select the subjects from whom to request scientific solutions, nor would it have been possible to establish a system of permanent collaboration with these subjects. The matching of supply and demand of innovation promoted by BI represents a new practice for the region, as the universities seldom participate in small entity research projects and the enterprises usually interpret innovation as mere modernisation (Interview n.6). Moreover, the small size of local enterprises does not allow them to invest in consultancy projects for innovation, whereas the partnership with BI offers the companies a cost-free service. The project offers the possibility of obtaining shared solutions for enterprises operating in the same sector in order to facilitate the creation of clusters. At the same time, the enterprises have technical and scientific documents at their disposal to support their access to public incentives for innovation.

### **8.3.6 Management and monitoring issues**

The project was set up through an agreement between the Basilicata Region and the Area Science Park of Trieste. The financial monitoring system involves both subjects. The project, intended as a technical structure for innovation, has an accurate monitoring system that records project outputs and outcomes, ranging from the number of enterprises contacted and visited, to the research and innovation projects started. The project has not been subjected to evaluation as it is ongoing.

### **8.3.7 Conclusions**

The objectives met to date appear to respond to the enterprises' needs, although, as indicated by one of the interviewees, in times of crisis the enterprises tend to focus more on ordinary management issues rather than undertaking risk activities (Interview n.48). The project's main weakness can be identified as its inability to finance the necessary form of innovative solution for a specific enterprise, as this would be an infringement of the EU's aid regime to enterprise. Moreover, follow-up services for the commercialisation and marketing of new products are not provided. The analysis carried out highlights an absence of connections with other ERDF OP actions in the marketing sector. Finally, the synergies with the ESF in relation to the provision of qualified human capital to enterprises did not take place, although it seems to be the next stage of the project (Interview n.32). The

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<sup>54</sup> Survey of a sample of beneficiary enterprises (33 percent of the total) in Basilicata Innovazione Review Report of the first two years of the project's activities (BI, October 2011).

project can be considered good practice, as it is aimed at adapting technology transfer instruments to regional needs and actors. Furthermore, the constant interaction between entrepreneurs and researchers promotes an ever-increasing interaction between the two sectors, leveraging the mutual commitment and proactive nature of the actors involved.



## 9. ANNEX II - STRUCTURE OF BASILICATA PROGRAMMES 1989-2013

### Basilicata POP 1989-93, Financial allocations and actual expenditure

Priority	Total initial allocation (I)	Total actual expenditure (F)*	Total public (€million)												Private	
			EU						Domestic							
1989-93 Basilicata POP																
			ERDF (I)	ERDF (F)*	ESF (I)	ESF (F)*	EAGGF (I)	EAGGF (F)*	Nat. (I)	Nat. (F)	Reg. (I)	Reg. (F)	Other dom. (I)	Other dom. (F)	Private (I)	Private (F)*
P1 Communication	20.71	37.15	8.79	26.91	0.00	0.00	1.56	10.24	5.18	-	5.18	-	0.00	-	0.00	0.00
P2 Industry, craft and services	126.63	129.13	22.39	51.09	22.02	14.70	0.00	0.00	22.37	-	11.87	-	12.71	-	47.97	63.34
P3 Tourism	129.30	122.45	43.89	88.45	3.08	3.60	0.00	0.00	15.96	-	15.28	-	0.00	-	38.38	30.40
P4 Infrastructure support	90.23	81.69	43.49	77.25	2.39	0.00	0.96	4.44	21.54	-	21.84	-	0.00	-	0.00	0.00
P5 Agricultural resources and rural development	40.88	45.14	0.00	0.00	5.83	23.80	15.95	18.30	3.08	-	9.39	-	0.00	-	6.62	3.04
P6 Technical assistance	2.40	2.20	1.20	2.20	0.00	0.00	0.00	0.00	0.60	-	0.60	-	0.00	-	0.00	0.00
P7 Human resources	21.12	4.40	0.00	0.00	13.73	4.40	0.00	0.00	6.78	-	0.62	-	0.00	-	0.00	0.00
<b>TOTAL</b>	<b>431.25</b>	<b>422.16</b>	<b>119.77</b>	<b>245.90</b>	<b>47.06</b>	<b>46.50</b>	<b>18.47</b>	<b>32.98</b>	<b>75.50</b>	<b>-</b>	<b>63.34</b>	<b>-</b>	<b>12.71</b>	<b>-</b>	<b>92.97</b>	<b>96.78</b>

Sources: Initial Allocation: POP Decision C (1990) n. 2989/2 of 20/12/1990. ERDF: p. 61. ESF: pp. 141-69, 177; EAGGF: pp. 195-7. Final Allocation: Final Implementation Report (June 1997), p. 42.

Note: (\*) Final expenditure figures combine EU and Member State funding.

**Basilicata POP 1994-99, Financial allocations and actual expenditure**

Priority	Total initial allocation (I)	Total actual expend. (F)*	Total public (€million)												Private	
			EU						Domestic							
1994-99 Basilicata OP																
			ERDF (I)	ERDF (F)*	ESF (I)	ESF (F)*	EAGGF (I)	EAGGF (F)*	Nat (I)	Nat (F)*	Reg (I)	Reg (F)*	Other dom. (I)	Other dom. (F)*	Private (I)	Private (F)
P1 Transport	66.83	143.72	33.42	143.72	0.00	0.00	0.00	0.00	16.71	-	16.71	-	-	-	0.00	
P2 Industry, Craft and business support services	157.56	178.51	58.48	115.81	0.00	0.00	0.00	0.00	47.69	-	10.79	-	-	-	40.61	62.70
P3 Tourism	191.86	142.22	67.15	110.42	0.00	0.00	0.00	0.00	50.44	-	16.71	-	-	-	57.56	31.80
P4 Diversification and valorisation of agricultural resources and rural development	411.25	504.35	0.00	0.00	0.00	0.00	227.15	370.85	71.91	-	30.56	-	-	-	81.64	133.50
P5 Support infrastructure for economic activities	153.05	244.86	76.88	244.86	0.00	0.00	0.00	0.00	26.19	-	41.74	-	-	-	8.25	
P6 Education	210.98	273.38	0.00	0.00	149.32	271.75	0.00	0.00	56.37	-	0.00	-	-	-	2.12	1.63
P7 Technical assistance	6.14	4.82	4.34	4.82	0.00	0.00	0.00	0.00	0.70	-	1.10	-	-	-	0	0
<b>TOTAL</b>	<b>1,197.67</b>	<b>1,491.86</b>	<b>240.3</b>	<b>619.63</b>	<b>149.32</b>	<b>271.8</b>	<b>227.15</b>	<b>370.85</b>	<b>273.18</b>	<b>-</b>	<b>117.60</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>179.8</b>	<b>229.6</b>

Sources: Initial allocation: POP Community Decision (16/12/1994), version published in the regional journal 24/05/1996, p. 1,631. Final allocation: Final Implementation Report (January 2005), p. 68.

Note: (\*) Final expenditure figures combine Member State and EU funding.

**Basilicata ROP 2000-06, Financial allocations (2000) and actual expenditure**

Priority	Total initial allocation (I)	Total actual expend. (F)	Total public (€million)												Private	
			EU						Domestic							
2000-06 Basilicata ROP																
			ERDF (I)	ERDF (F)	ESF (I)	ESF (F)	FEAOG (I)	FEAOG (F)	Nat. (I)	Nat. (F)	Reg. (I)	Reg. (F)	Other dom. (I)	Other dom. (F)	Pri- vate (I)	Pri- vate (F)
P1 Natural resources	314.2	318.1	102.9	0.0	0.0	0.0	27.8	0.0	78.0	0.0	33.4	0.0	0.0	0.0	72.1	0.0
P2 Cultural resources	46.4	70.8	25.1	0.0	0.0	0.0	0.0	0.0	11.7	0.0	5.0	0.0	0.0	0.0	4.6	0.0
P3 Human resources	295.4	463.0	17.9	0.0	180.8	0.0	0.0	0.0	64.5	0.0	26.8	0.0	0.0	0.0	7.2	0.0
P4 Local development systems	521.9	507.9	81.9	0.0	0.0	0.0	130.6	0.0	107.9	0.0	47.0	0.0	0.0	0.0	152.6	0.0
P5 Cities	81.7	85.8	40.0	0.0	0.0	0.0	0.0	0.0	18.6	0.0	8.0	0.0	0.0	0.0	15.1	0.0
P6 Networks and services	203.6	207.7	77.4	0.0	0.0	0.0	0.0	0.0	52.7	0.0	22.6	0.0	0.0	0.0	50.9	0.0
P7 Technical assistance	4.1	18.4	3.1	0.0	0.0	0.0	0.0	0.0	0.7	0.0	0.3	0.0	0.0	0.0	0.0	0.0
<b>TOTAL</b>	<b>1,467.3</b>	<b>1,671.7</b>	<b>348.2</b>	<b>0.0</b>	<b>180.8</b>	<b>0.0</b>	<b>158.3</b>	<b>0.0</b>	<b>334.1</b>	<b>0.0</b>	<b>143.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>302.6</b>	<b>0.0</b>

Source: Initial allocation: ROP 2000-06, Community Decision (2000) 2372 of 22/08/2000, p. 213.

**Basilicata ROP 2000-06, Financial allocations (2009) and actual expenditure**

Priority	Total initial allocation (I)	Total actual expenditure (F)	Total public (€million)													Private	
			EU						Domestic								
2000-06 Basilicata ROP																	
			ERDF (I)	ERDF (F)*	ESF (I)	ESF (F)	EAGGF (I)	EAGGF (F)	Nat. (I)	Nat. (F)*	Reg. (I)	Reg. (F)	Other dom. (I)	Other dom. (F)	Pri- vate (I)	Pri- vate (F)	
P1 Natural resources	287.8	318.1	106.6	115.3	0.0	0.0	37.3	43.7	100.7	159.1	43.2	-	-	-	-	-	
P2 Cultural resources	63.1	70.8	31.5	35.4	0.0	0.0	0.0	0.0	22.1	35.4	9.5	-	-	-	-	-	
P3 Human resources	452.1	463.0	21.6	26.7	204.4	206.6	0.0	0.0	158.2	231.5	67.8	-	-	-	-	-	
P4 Local development system	500.9	507.9	108.9	121.0	0.0	0.0	141.5	132.9	175.3	253.9	75.1	-	-	-	-	-	
P5 Cities	65.7	85.8	34.2	42.9	0.0	0.0	0.0	0.0	22.1	42.9	9.5	-	-	-	-	-	
P6 Networks and services	181.9	207.7	89.6	103.8	0.0	0.0	0.0	0.0	64.6	103.8	27.7	-	-	-	-	-	
P7 Technical assistance	18.2	18.4	9.1	9.2	0.0	0.0	0.0	0.0	6.4	9.2	2.7	-	-	-	-	-	
<b>TOTAL</b>	<b>1,569.6</b>	<b>1,671.7</b>	<b>401.5</b>	<b>452.6</b>	<b>204.4</b>	<b>206.6</b>	<b>178.8</b>	<b>176.6</b>	<b>549.4</b>	<b>835.9</b>	<b>235.4</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

Sources: Initial allocation: ROP Community Decision (2009)1112 of 18/02/2009, p. 281. Final expenditure: Regional Monitoring Database Extraction, 31/12/2009.

Note: (\*) ERDF and National final expenditure figures are calculated on the basis of co-funding percentages (50% EU and 50% Member State funding).



**Basilicata OP 2007-13, Financial allocations and actual expenditure**

Priority	Total initial allocation (I)	Total actual expenditure (F)	Total public (€million)												Private	
			EU						Domestic							
2007-13 Basilicata OP																
			ERDF (I)	ERDF (F)*	ESF (I)	ESF (F)	EAG GF (I)	EAGGF (F)	Nat. (I)	Nat. (F)*	Reg. (I)	Reg. (F)	Other dom. (I)	Other dom. (F)	Private (I)	Private (F)
P1 Accessibility	95.6	39.2	38.2	15.7	-	-	-	-	51.6	23.5	-	-	-	-	0	-
P2 Knowledge society	72.5	30.9	29.0	12.4	-	-	-	-	43.5	18.5	-	-	-	-	0	-
P3 Production competitiveness	65.5	34.3	26.2	13.7	-	-	-	-	39.3	20.6	-	-	-	-	0	-
P4 Valorisation of natural and cultural resources	67.6	31.8	27.0	12.7	-	-	-	-	40.5	19.1	-	-	-	-	0	-
P5 Urban systems	61.4	0.0	24.5	0.0	-	-	-	-	36.8	0.0	-	-	-	-	0	-
P6 Social inclusiveness	80.7	11.6	32.3	4.6	-	-	-	-	48.4	7.0	-	-	-	-	0	-
P7 Energy and sustainable development	153.2	45.8	61.3	18.3	-	-	-	-	91.9	27.5	-	-	-	-	0	-
P8 Governance and technical assistance	24.8	10.5	9.9	4.2	-	-	-	-	14.9	6.3	-	-	-	-	0	-
<b>TOTAL</b>	<b>621.3</b>	<b>204.1</b>	<b>248.5</b>	<b>81.3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>372.8</b>	<b>121.9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>-</b>

Source: Initial allocation: OP ERDF Community Decision (2010) n.884 of 02/03/2010, p. 280. Final expenditure: Regional Monitoring Database Extraction, 31/12/2011.

Note: (\*) ERDF and National final expenditure figures are calculated on the basis of co-funding percentages (40% EU and 60% Member State funding).



## 10. ANNEX III: LIST OF INTERVIEWEES

Name	Position (current and former roles)	Place	Date	Form
Andrea Freschi	External consultant MA ROP ERDF 2000-06 and General Manager of Production Activities	Potenza - London	29.02.2012	telephone interview
Andrea Trevisi	Vice-Director of Basilicata Innovazione from 2009	Potenza	24.01.2012	face-to-face interview
Angela Tantulli	Entrepreneur - enterprise: Oroverde Lucano (olive oil for children) beneficiary of Basilicata Innovazione support	Matera - London	14.03.2011	telephone interview
Angelo Luongo	External consultant, General Manager Infrastructure, OP ERDF 2007-2013	Potenza	25.01.2012	face-to-face interview
Angelo Paolo Nardozza	External consultant, General Manager Regional Committee, OP ERDF 2007-13,	Potenza	19.01.2012	face-to-face interview
Annamaria Leuzzi	MA MOP School 1994-99 and MOP School 2000-06	Rome - London	13.04.2012	telephone interview
Antonella Scotese	Independent evaluators POP 1994-99 and ROP 2000-06	Rome - London	21.02.2012	telephone interview
Antonietta Tummolo	Entrepreneur - enterprise: Occhialeria Artigiana (handmade glass) beneficiary of ROP 2000-06 aid	Tito (Potenza)	18.01.2012	face-to-face interview
Carlo Quaratino	Trade Unions, member of the steering committee OP ERDF 2007-13	Potenza	23.01.2012	face-to-face interview
Caterina Salvia	Lega Coop, third sector member of steering committee OP ERDF 2007-13	Potenza	23.01.2012	face-to-face interview
Chiara Diana	Civil servant member of Community Programmes Office for Implementation, Monitoring and Evaluation from 1994 to 2009, currently OP ESF 2007-13	Potenza,	19.01.2012	face-to-face interview
Clara Giordano	Civil servant responsible for Industrial Infrastructure since 1983 and still in office - Department of Production Activities	Potenza	24.01.2012	face-to-face interview
Donato De Bonis	Civil servant responsible for aid to SMEs and Tourism, Department of Production Activities since 1994-99 and still in office	Potenza	18.01.2012	face-to-face interview
Elena Iacoviello	Civil servant Manager of the Tourism Office since 1986 and still in office	Potenza	18.01.2012	face-to-face interview
Enrica Marchese	Civil servant General Manager of the Research, Innovation and Internationalisation Office, OP ERDF 2007-2013	Potenza	17.01.2012	face-to-face interview
Donatella Castrini	Secretary of MOP Energy 1994-99 steering committee	Rome - London	15.04.2012	telephone interview
Francesco Mancuso	Civil servant responsible for PISU - Municipality of Potenza ROP ERDF 2000-06	Potenza	24.01.2012	face-to-face interview
Giampiero Cerverizzo	Civil servant responsible for Basic Infrastructure ROP ERDF 2000-06 and OP ERDF 2007-13,	Potenza	25.01.2012	face-to-face interview
Giampiero Perri	Director of the Regional Tourism Agency, Potenza	Potenza	27.01.2012	face-to-face interview
Gianfranco Viesti	Academic expert	Bari - London	15.03.2011	video interview
Gianpaolo D'Andrea	Assessore for the Programming Department 1989 - 1995, currently member of the Italian Parliament	Potenza	21.01.2012	face-to-face interview
Giorgio Pugliese	DPS expert for Operational Programmes for Objective 1 and Convergence regions	Rome - London	20.02.2012	telephone interview
Giuseppe Giliberti	Civil servant General Manager 'Water' office, ROP 2000-06 and OP ERDF 2007-13	Potenza	25.01.2012	face-to-face interview
Giuseppe Masturzo	Entrepreneur - enterprise: Oleifici Masturzo (olive oil) beneficiary of POP 1994-99	Venosa (Potenza),	21.01.2012	face-to-face interview
Giuseppe Sabia	Civil servant responsible for Evaluation and Communication at the Community Programmes Office 1994- 2009, currently OP ESF 2007-13	Potenza	19.01.2012	face-to-face interview

Name	Position (current and former roles)	Place	Date	Form
Leonardo Montemurro	Confederazione Nazionale Artigianato e della Piccola e media Impresa - National Entrepreneurial Craft and SMEs Association - member of steering committee OP ERDF 2007-13 and ROP ERDF 2000-06	Matera	22.01.2012	face-to-face interview
Lucia Artizzu	EU Desk Officer Basilicata 2004-2008	Brussels - London	8.03.2012	video interview
Luigi Felicetti	Civil servant responsible for the Economic Observatory of Basilicata	Potenza	17.01.2012	face-to-face interview
Maria Grazia Dalleani	Civil servant, Certifying Authority OP ERDF 2007-13 and OP ESF 2007-13, Paying Authority ROP Basilicata 2000-06	Potenza	16.01.2012	face-to-face interview
Maria Teresa Lavieri	Civil servant General Manager, MA ROP Basilica 2000-06, member of the Programming Department, Community Programmes Office and General Manager of the Regional Committee from 1993 to 2007	Potenza	19.01.2012	face-to-face interview
Michele Claps	Civil servant member of the Community Programmes Office 1989 and still in office	Potenza	27.01.2012	face-to-face interview
Michele Vita	Civil servant General Manager Department of Production Activities OP ERDF 2007-13, Potenza,	Potenza	17.01.2012	face-to-face interview
Nicola Damiano	Civil servant retired, General Manager Programming Department and Community Programmes Office, 1980 -2000,	Potenza	20.01.2012	face-to-face interview
Nicolino Sileo	Confindustria - Entrepreneurial Industrial Association - member of the steering committee OP ERDF 2007-13 and ROP ERDF 2000-06	Potenza	20.01.2012	face-to-face interview
Nunzia Caiazzo	Civil servant retired, Equal Opportunity Authority 2000-06	Potenza	20.01.2012	face-to-face interview
Paolo Cattapan	Director of Basilicata Innovazione since 2009,	Potenza	24.01.2012	face-to-face interview
Paolo Gambardella	Trade Unions member of the steering committee OP ESF 2007-13	Potenza	23.01.2012	face-to-face interview
Paolo La Guardia	President of Lega Coop, third sector	Potenza	23.01.2012	face-to-face interview

## 11. ANNEX IV - OVERVIEW OF SOURCES USED FOR THE CASE STUDY

Programme	OP	AIR	FIR	Spend (by measure & year)	Eval. reports	Strategic interviewee	Operational interviewee	External interviewee	Stakeholder/ Beneficiary int.	Workshop
Basilicata ERDF OP 2007-13	YES	YES	NO	YES	NO	YES	YES	YES	YES	YES
Basilicata ROP 2000-06	YES	YES	YES	YES	PART	YES	YES	YES	YES	YES
NOP Scientific Research 2000-06	YES	NO	YES	YES	PART	PART	NO	PART	NO	NO
NOP School 2000-06	YES	NO	YES	YES	PART	PART	NO	PART	NO	NO
NOP Security 2000-06	NO	NO	YES	YES	NO	NO	NO	NO	NO	NO
NOP Local Entrepr. Dev. 2000-06	YES	NO	NO	YES	PART	PART	NO	PART	NO	NO
NOP Transport 2000-06	YES	YES	NO	YES	PART	YES	NO	PART	NO	YES
NOP ATAS 2000-06	YES	NO	NO	YES	PART	PART	NO	PART	NO	NO
Basilicata POP 1994-99	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
MOP Environment 1994-99	NO	NO	NO	PART	PART	NO	NO	NO	NO	NO
MOP Energy 1994-99	YES	NO	YES	PART	YES	YES	NO	NO	NO	NO
MOP Ind., Craft & Services 1994-99	NO	NO	NO	PART	PART	NO	NO	PART	NO	NO
MOP Technical Assistance 1994-99	NO	NO	NO	PART	PART	NO	NO	NO	NO	NO
MOP Safety & dev. of South 1994-99	NO	NO	NO	PART	PART	NO	NO	NO	NO	NO
MOP Civ. Protect. & Pub. Works 94-99	NO	NO	NO	PART	PART	NO	NO	NO	NO	NO
MOP Road Infrastructures 1994-99	NO	NO	NO	PART	PART	PART	NO	NO	NO	NO
MOP Water resources 1994-99	NO	NO	NO	PART	PART	PART	NO	NO	NO	NO
MOP Tourism 1994-99	NO	NO	NO	PART	PART	PART	NO	NO	NO	NO
MOP Research & Tech. Dev. 1994-99	YES	NO	YES	PART	PART	PART	NO	PART	NO	NO
MOP Railway 1994-99	NO	NO	YES	PART	PART	NO	NO	NO	NO	NO
MOP Transport 1994-99	NO	NO	NO	PART	PART	NO	NO	NO	NO	NO
MOP Telecommunications 1994-99	NO	NO	NO	PART	PART	NO	NO	NO	NO	NO
MOP Education (MPI), 1994-99	NO	NO	NO	PART	PART	NO	NO	NO	NO	NO
MOP Terr. Pact for Employ. 1994-99	PART	NO	NO	NO	PART	NO	NO	NO	NO	NO
Basilicata POP, 1989-93	YES	NO	YES	NO	PART	YES	YES	YES	YES	YES
MOP Energy/gas distribution 1989-93	NO	NO	PART	NO	NO	NO	NO	NO	NO	NO
MOP Assist to Ind. & Service, 1989-93	NO	NO	NO	NO	NO	NO	NO	NO	NO	NO
MOP Industrial Areas, 1989-93	NO	NO	NO	NO	NO	NO	NO	NO	NO	NO
MOP Telecommunications, 1989-93	NO	NO	NO	NO	NO	NO	NO	NO	NO	NO
MOP Tourism, 1989-93	NO	NO	NO	NO	NO	NO	NO	NO	NO	NO
MOP Water resources, 1989-93	NO	NO	NO	NO	NO	NO	NO	NO	NO	NO
MOP Technological R&D, 1989-93	NO	NO	NO	NO	NO	NO	NO	NO	NO	NO



## 12. ANNEX V: REFERENCES

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