

Part IV – Case Study Reports

1. Introduction

In this section, we complement the quantitative findings from Part III of this report by selecting ten regions for more in-depth qualitative research. Two primary criteria were employed in the selection of the regions. First, both ‘high QoG’ and ‘low QoG’ regions were intentionally selected. In several cases, such as Bolzano (IT), Västra Götaland (SE) and Pais Vasco (EP), Campania (IT), Norte (PT) and Severozapadan (BG), the regions were ranked on the relatively high or low end of the entire sample of 172 EU regions. In other cases, the regions demonstrated high or low QoG relative to their geographic position in the EU, such as Wallonie (BE), Nord Vest (RO), Estonia and Jihozapad (CZ). The general hope in this more qualitative part of the report was to corroborate the results of the survey data in Part III and to produce findings from both high and low QoG regions from which general advice for other regions can be deduced along with possible specific policy recommendations. Second, a fairly even distribution of EU-15 and New Member States (NMS) was selected. EU-15 regions come from Sweden, Italy, Belgium, Spain and Portugal, while the NMS regions come from Bulgaria, Romania, the Czech Republic and Estonia. This was done to acknowledge the diverse challenges that face regions in different parts of the EU and the relatively different levels of economic and political development observed among the cases.

2. Methodology of the Case Studies

The ten case studies in this report follow the same methodology. First, each researcher was assigned a region and gathered background information on demographics, indicators of economic and social development, the EU’s recent impact, and the history and significance of the region. Such data and background information are based on official documents and data provided by the EU or the individual country or regional websites themselves and are chronicled in full in the appendix to this part of the report. Next, an ‘expert survey’ was collectively designed by the research team to capture more detail and depth as to the region’s large-N quantitative QoG score from Section 3 of the report. The questionnaire focuses on several topics potentially related to causes and outcomes of QoG at the regional (and national) level. First, we seek generally to corroborate the findings of the data – in terms of the placement of the region in the data itself - with the opinions of the regional experts to provide the data with a degree of ‘face validity’. Further, we inquire about institutions, such as the strength of the regional media, the public administration in terms of hiring practices and protection for employees, the level of regional autonomy, the impact that the EU has had on QoG in the region and the perceptions of impartiality in the three public services on the large-N survey – health care, law enforcement and education.

Each of the researchers was then given the task of locating and making contact with several ‘regional experts’ and to set up face-to-face (or Skype at times) interviews with them. We intentionally targeted occupations that we believed were relevant to the study so as to obtain ‘first hand’ knowledge of the way the public administration or the media for example operate in the region. The experts thus ranged from civil servants to professors of public administration to doctors, teachers, lawyers, politicians, local media reporters or persons employed at an NGO, such as *Transparency International*. Although

some experts interviewed wished to remain anonymous, all interviewees that allowed us to make their names and occupations public are listed in the appendix to this report.

The researchers then traveled to their respective regions during the months of May and June of 2010. Each researcher interviewed at least three local experts in different occupations. The expert survey was translated into all local languages by each researcher, who either spoke the language as a mother tongue or had strong knowledge of the local language of the region of interest. All translated surveys are given in this appendix to this section of the report. The only exception to this was Estonia, for which we were unable to find a qualified native speaker. The information from the expert interviews was then coupled with the background information on the region/country in order to provide a basic understanding of some of the causes and consequences of either high or low QoG in the region. All interviews and reports were thus completed within an initial time period of three months, between 1 April and 1 July 2010.

3. Summary of the Findings from the Case Studies: Eight “Lessons”

Before presenting the individual case studies, we summarize several common characteristics among well-performing regions (or characteristics lacking in poor performing regions) in order to explain why some EU regions present higher QoG than others, by looking at which features above average regions in QoG have in common that, at the same time, make them different from below average regions. The main “lessons” about how to improve QoG are the following.

3.1. Independent and active media

In the first place, it is important to note that the countries with poorer levels of QoG belong to the EU countries with the lowest positions in the *Reporters Sans Frontiers*'s 2009 World Press Freedom Index, such as Romania, which occupies position 50, or Bulgaria, ranked 68th. This is common knowledge in the scholarly literature. According to the experts, one of the main triggers of high levels of QoG in a given country is the existence of a free and widely read press that keeps an eye on power abuses. An example of the media playing its watchdog role - as “the people's eye on the state” - is found in Sweden, where in April 2010 the investigative television programme *Uppdraggranskning*, aired by the state owned channel SVT1, uncovered a corruption case in the Gothenburg municipality departments and a municipality-owned housing association. This had previously been reported internally, but the case had been shut down because the internal investigation was inconclusive. However, the continued investigative work of the television journalists, followed by their colleagues in the major local and national newspapers, forced the public authorities to re-open it.

The existence of a free and independent media seems to show a greater correlation with the level of QoG in a region than its level of economic development. For instance, a founding member of the EU with an advanced G-8 economy, Italy, ranks 49 in the world in terms of press freedom – behind, among others, several African countries such as Cape Verde, Ghana, Mali and South Africa – while Estonia, a new member state with a relatively recent communist experience and a small economy, ranks 6th in the world. Similarly, while Freedom House rates Estonia as “free” with respect to press freedom – together with the vast majority of advanced democracies – it rates Italy as only “partly free” since 2004. These notable, and relatively paradoxical from a historical and socio-

economic point of view, differences in media freedom may account for the also relatively paradoxical differences in QoG between Estonia, which ranks 16th among the EU-27 (and 1st among new member states), and Italy, which ranks 25th.

Experts and professionals consulted in Estonia regard its media as key for understanding its relatively high level of QoG. Especially in comparison with its Baltic neighbours, the Estonian media are considered to be more independent of political parties and entrenched economic interests¹. This independence would be the result of both an Estonian media ombudsman who closely monitors the media as well as fierce competition among the largest newspapers.² Similar to the EU countries leading the world rankings of QoG, such as Sweden, Estonia has popular investigative journalists who on a regular basis publish cases of potential public concern about government activities in both the written press and prime time TV shows.³

In striking contrast, according to some accounts (*Reporters Sans Frontiers* 2010), Italian reporters may be threatened if they attempt to uncover certain stories about the political elite. Even some of the exceptions to the Italian average level of QoG can be partially explained with reference to the media. For instance, the bilingual region of Bolzano – the highest performer in Italy and which ranks among the top 10% of the 172 EU regions surveyed – has a unique media situation with both German and Italian newspapers and radio stations. Experts consider this to increase media's ability to check power because the two types of media complement each other: the Italian-speaking media are more critical of those institutions dominated by German-speaking individuals and vice versa (Charron 2010, 20). Similarly, in a region of Belgium, another EU founding member, such as Wallonie, regional experts regard the fact that “the media are probably not corrupt but they might have difficulties in reporting certain issues”⁴ may play an important role in understanding the persistence of a relatively low level of QoG.

In regions with relatively lower levels of QoG, the political dependence of the media has been found to affect both public as well as privately owned media. Experts in Wallonie⁵, in Severozapaden⁶ or in Jihozapad⁷ consider that the political dependence is the result of the financial support that political parties ultimately give to media groups. In the Norte region (Portugal), experts consider that the notable presence of Municipal Chambers as main sponsors of local newspapers and radio stations makes reports by the latter on QoG issues less reliable. In new member state regions, such as Severozapaden, in addition to the lack of independence, there is a traditional economic weakness that impedes media from properly researching and informing about problems in QoG.⁸

¹Kazemi 2010, 251

²ibid, 252

³ibid, 253

⁴ Quote from an expert, 21 May 2010. Translated from French: « Je ne pense pas que les media soient corrompus mais je pense qu'ils manquent nettement de moyens et donc qu'ils ne peuvent pas toujours mener les enquêtes qu'ils voudraient. » (Håkansson 2010, 222).

⁵Håkansson 2010, 222

⁶Popovski 2010, 315

⁷Dinescu 2010, 281

⁸Popovski 2010, 315

3.2. Policy of High Transparency

The regions studied indicate that public authorities can play a decisive role in stimulating media by virtue of adopting a policy of high transparency. Measures for transparency, allowing journalists immediate access to all types of information regarding public activities, have traditionally formed the backbone of quality of government in the Scandinavian countries. In the case of the particular region explored here, Västra Götaland (Sweden), the familiarity of local journalists with public information is so high that one of them acknowledges that civil servants often call him and tell him where and when to search for a certain document.⁹

Similarly, the economic capital of Spain's best performer in QoG, País Vasco, was ranked as the most and the second most transparent municipality in the country in 2008 and 2009, respectively, thanks to the extremely large number of administrative internal procedures and decisions that are available to citizens, journalists and civil organizations.¹⁰ The regional government in País Vasco has also been a pioneer in offering information about its activities, not only in comparison with other Spanish administrations, but also within the EU context. The País Vasco government has three different institutional mechanisms that serve to offer an unusually high level of transparency: *Open Data Euskadi*, a web site in which all information not restricted by privacy, security or property reasons is available to citizens; *Ireki Open Government*, a direct channel of online communication and participation between the decisions taken, or to be taken, by the regional government and its citizens; and *Zuzenean*, the agency of citizen attention.¹¹ This unusually high level of transparency is regarded by the experts in País Vasco as an important factor for understanding the region's high level of QoG.¹²

The empirical evidence from these experiences at the local and regional levels of transparency together with the overall positive effects in other countries forced the Spanish government to launch a Transparency and Citizens' Access to Information Act in 2010. The main innovation in transparency is that the default option across all Spanish administrations will be transparency and not secrecy, with the usual exceptions regarding privacy and national security.¹³ Notable positive effects for quality of government in Spain are expected as a result of the implementation of this transparency act.¹⁴

3.3 Active Civil Society Organizations

Nevertheless, the existence of a free media with a transparent government is not enough to foster QoG. According to the regions explored, it can be argued that a free media is necessary but not sufficient. It needs to be complemented by either numerous and strong civil society organizations – such as NGOs or professional associations – or

⁹Jonsson and Varraich 2010, 176

¹⁰Transparencia International 2010

¹¹Gobierno Vasco 2009

¹²Hernandez 2010, 78

¹³*El Pais* 17-08-2010

¹⁴Manfredi 2010

by an open economy that allows foreign investors or citizens to exert an “exit” option – that is, the possibility to move to another region with better QoG.

The Nord-Vest region in Romania, which is above the EU average in terms of QoG and almost two standard deviations better than the bottom Romanian region, is a good example of having a combination of different factors. One such relationship is that of the printed press and the active civil society organizations. According to the experts on Nord-Vest that were consulted, the trust in the region-based press is reinforced by the active role of various NGOs. One of these measures is submission of newspapers to analysis by a non-profit organization called the Romanian Bureau for Circulation Auditing¹⁵, which ensures the monitoring and correct transmission of the publication’s activity (e.g. the number of copies edited) to the press users¹⁶. There is furthermore a growing history of collaboration between press agencies and NGOs, such as Transparency International, the Center for Independent Journalism in Bucharest or Active Watch, which help to preserve media independence. An apt example is when in 2009 Cluj’s Association of Press Professionals revealed a venal agreement between the County Council and a local newspaper. The agreement was a mutually beneficial one concerning the allocation of the Council’s marketing budget. The affair attracted the attention of more NGOs, which resulted in national media coverage, bringing the whole deal to an end. The chances for stopping the deal would have been limited if the press association had exclusively counted with its own means. As the chairman of Cluj’s Association of Press Professionals acknowledges, because of the involvement of several non-profit organizations in the investigation, the deal was aborted. This example highlights the importance of collaboration between civil society organizations and media, a mutually beneficial check and balance system where collaboration increases the possibility of higher QoG.

Another “pressure from below” that amplifies the effect of press freedom is a high degree of economic openness in the region. The qualitative evidence from two especially open regions in Central Europe, such as Nord-Vest (Romania) and Jihozapad (Czech Republic), shows the relevance of trade – of goods, services and also human capital – as an incentive to deliver QoG. The higher levels of foreign direct investment in Nord-Vest – in comparison to other Romanian regions – has forced public authorities to, first, more quickly adopt new (and higher) standards in public service delivery and, second, satisfy the increasing demands of foreign and local investors to improve public infrastructure for the growing export industry become involved in long-term projects for human capital formation¹⁷. In the Czech region of Jihozapad, experts detect a similar factor – by export-oriented business – for improving public services and tackling corruption¹⁸.

3.4. The Advantages of Ethnic Diversity

The conventional view of experts in political science and economics has been that ethnic fragmentation leads to overall lower levels of QoG. It is argued that cultural

¹⁵ In Romanian BRAT is an acronym for “Biroul Român de Audit al Tirajelor”. Information can be found at <http://www.brat.ro/index.php?page=home>

¹⁶Borcan 2010, 132

¹⁷Borcan 2010, 153

¹⁸Dinescu 2010

homogeneity strengthens the sense of belonging to the same community and generally makes all sorts of social interactions easier. This view is challenged by more than one region in the EU, however, where ethnic diversity has been a boost to QoG. The three EU regions included in this study that displayed more ethnic diversity, Nord-Vest, Jihozapad and Bolzano, were also those with relatively high QoG. The experts that were consulted point out that ethnic diversity has benefits for QoG. The long-term exposure to ethnic diversity helps the development of a spirit of tolerance and collaboration among the different ethnic groups.¹⁹

In the most ethnically fragmented region in Romania, Nord-Vest – populated by Romanians (75%), Hungarians (19.3%), Roma (3.5%), Ukrainians (1.3%), Germans (0.4%) and other ethnic groups (0.5%) – local public authorities have traditionally supported the development of human capital in the university center of Cluj, which is regarded as a key to understanding the current levels of tolerance and collaboration among the different ethnic groups. In Jihozapad, the large public investments in infrastructure and the strength of economic ties with neighbouring Germany help transform past violent relationships between Czechs and Germans – such as the “ethnic cleansing” of Sudeten Germans in 1945-46 – into positive interactions and an absence of a perception of partiality or discrimination among a particular group²⁰.

The most advanced institutional integration of different ethnic groups was found in the case of Bolzano. A particular aspect highlighting this institutional integration pertains to the employment process found in the public sector, where a strict *proportionality rule* is followed. What this entails is that potential public employees must declare their native language before applying for a position in the public sector. The selection is made according to the proportion of the total regional population and the language group – Italian, German or Ladin – that the candidate represents. Despite this there is a widespread perception that, once inside, civil servants may encounter a greater or lesser number of opportunities depending on their language background – and, for example, top positions in the bureaucracy and health care may predominantly go to German speakers; the general view of public employment in the region is one of impartiality and meritocracy²¹. According to the regional experts, the success of this policy of institutionalization of ethnic diversity is obvious on its own, especially in contrast with the problematic policies of cultural integration that were so frequent in the past, such as the forced Italianization of the region during Mussolini’s rule²²

3.5. Meritocratic Public Organizations

One key factor that distinguishes above from below average EU regions in QoG is the protection of civil servants recruited on the basis of merit from politicization attempts. The extent to which merit – as opposed to political connections – is rewarded in the public organizations of a country is more important than other traditionally more thoroughly explored state-related factors, such as the electoral system or the political

¹⁹Borcan 2010, 131

²⁰Dinescu 2010

²¹Charron 2010, 18

²²Charron 2010, 26

regime. The experts from the EU regions explored here agree that the regions with above average QoG have more meritocratic civil service systems than the regions with lower levels of QoG.

The paradigmatic example would be Västra Götaland (Sweden), where experts and professionals acknowledge the merit-based nature of Swedish public organizations. Even experts admit that “being in the right circles” matters, and thus that contacts also play a role in Sweden; “that you have done the right thing” is also key²³. That is, unlike other contexts, in Sweden personal contacts do not replace the merit qualifications of the candidates but instead go hand in hand with merit; only when merit is satisfied will a contact matter. Similarly, although the levels of meritocracy are considered to be lower than in Sweden, the general perception among the experts in Nord-Vest is that civil servants in the region are less selected and promoted according to their allegiance to a particular political or family network than in other Romanian regions²⁴.

In contrast, the hiring of public employees on the basis of a contact network instead of merit is prevalent in many EU regions; two of the regions were included in this study: Severozapaden (Bulgaria) and Norte (Portugal). Officials in Severozapaden admit that a majority of public employees are hired and promoted on the basis of either political, personal or business contacts²⁵. Since these contacts, according to the experts, give priority to other considerations above competence requirements, merit is, as a result, hardly rewarded in this region. There are very limited positive incentives for public employees, which has resulted in many of the qualified potential public employment candidates to move to other EU countries to find work, resulting in a loss of qualified employees. Experts in the Norte region express similar concerns about the hiring and promotion of public employees: contacts trump merit²⁶. Jobs are awarded to a large proportion – which experts believe to be over 60% - according to family, friendship or political ties.

Experts agree that these forms of contacts affect the quality of the public services, because those who are more capable and well prepared are not always the ones who in the end will get the job.

An example of a stark contrast between regions of the same country can be found in Italy, i.e. between Bolzano and Campania. While hiring in the public sector in Italy is theoretically based on merit, experts in Bolzano and Campania largely disagree about how merit is rewarded in both regions. Experts in Bolzano note the relatively high meritocracy of the different regional administrations whereas, in Campania, personal contacts would supersede the meritocratic rule more often than not. We may get one piece of quantitative evidence that may support these differences by looking at the percentage of women employed in public administrations, given that patronage networks tend to be male dominated. While the employment gender gap in Bolzano is very small, and as one source said, “women play a much larger role in both politics and in the public administration than in other regions”, Campania presents one of the largest employment

²³ Jonsson and Varraich 2010, 183

²⁴ Borcan 2010, 149

²⁵ Popovski 2010, 310

²⁶ Morgado 2010, 109

gaps in the EU – with an astonishing 31% difference between eligible males and females. This example helps illustrate the importance of rewarding meritocracy for higher QoG.

3.6. Protection of whistle-blowers

Experts agree that, to prevent power abuses by public officials, whistle-blowing must be protected from potential attempts by organizational superiors to curb it. The most obvious examples of the importance of whistle-blowing protections come from the Scandinavian countries – that usually rank at the top of any world index on curbing corruption. The public administrations in these countries offer an encompassing protection to rank-and-file public employees that “whistle-blow” – that is, who denounce either a case of corruption or mismanagement of public funds in the organization they work for. The possibility that whistleblowers can act with full confidence that their identity will not be revealed has long been regarded as one of the (or the) most important measure to curb corruption in Sweden²⁷. The citizen (or public employee) who informs the press about some particular public activity has not only the right to remain anonymous (included in the Swedish constitution), but also her/his public employer could be prosecuted if it tried to investigate who reported X to the press²⁸. In other words, the successful policies in curbing corruption pay special attention to the protection of those public employees that take the risk of whistle-blowing. An important distinction that needs to be made is that of “right” versus “duty” in public employment in Sweden. Public employees in the health care sector are duty-bound to report, i.e. whistle-blow, if any mismanagement or acts of corruption occur, as this would mean that lives are at stake. The public employee outside the health care sector, on the other hand, has the option of exercising the right to report.

In addition to these protections, whistle-blowing is actively promoted in Sweden. An example is the annual initiative of Transparency International Sweden; it encourages whistle-blowing by awarding prizes to the most relevant whistle-blower of the year.²⁹ Similarly, another initiative of Transparency International, in this case of the Spanish chapter, is rewarding those municipalities that are more transparent. Taking this lesson from Sweden, this may have a positive effect on fostering a culture of good governance in Spain, where corruption is more prevalent³⁰.

The qualitative evidence gathered in interviews with both Swedish public employees and journalists shows how whistle-blowing works in practice. One of the points of agreement among the different experts is that whistle-blowing is a last resort measure. Generally, the first measure taken by an employee is to utilize the internal reporting system, expressing concern to a superior within the organization.³¹ If there is no positive feedback, it is then that the public employee resorts to the media. Nevertheless, the

²⁷ Erlingsson, Bergh and Sjölin 2008

²⁸ Utvecklingsrådet för den statliga sektorn (2002)

²⁹ The following people have received the award: 2007 Åsa Sveds –journalist at Gotland, 2008 Christer Hansson –local glassblower exposing the European glass cartel, 2009 Ara Abrahamien –Elite sportsman exposing corruption and bringing more transparency to elite sport. <http://www.transparency-se.org/Varlden.html>

³⁰ Estefanía 2009, Transparencia Internacional 2010

³¹ Jonsson and Varraich 2010

experts agree that the interest of the employee is being weighed against the interest of the organization. If the employee notices that the organization will be damaged, his or her coworkers will also be damaged, and the outcome could be social exclusion. Social exclusion tends to be the strongest factor that keeps public employees from reporting. If the employee instead sees the result as a win-win situation, it is easier for him/her to report the problem.

The case of Belgium also provides a good comparative example in two of its regions: Wallonie and Flanders. Wallonie ranks just above the EU regional average of QoG whereas Flanders ranks among the 15% best performers, which is also illustrative of the importance of whistle-blowers' protection. As the experts in QoG in Wallonie point out, an important deficit of their region vis-à-vis the Flemish regards the relative fragile legal situation of whistle-blowers. While Flanders has a longer tradition of whistle-blowing protection and enacted an advanced protection system in 2005, Wallonie has not implemented any protection measures. Similarly, experts in the Portuguese Norte region consider that would-be whistle-blowers are poorly protected and that, knowing that they will probably be harassed and let go from their jobs, the public employee is fearful to denounce a case of mismanagement or corruption in their organization ³².

According to the experts, more problematic are the contradictions experienced by civil servants in regions such as Campania, where public employees are obliged by law to report any malfeasance at work if they are employed in the public sector ³³. Yet, at the same time, there are no legal protections for those who whistle-blow, and anonymity is far from guaranteed. In summary, would-be whistle-blowers live trapped between the possibility of penalty in the case of not reporting a malfeasance and potential backlashes to their careers in the case that they do report.

3.7. Adoption of Private Sector Practices

It is common to claim that public organizations should remain isolated from private sector dynamics to assure legality and impartiality. Although that has not been questioned in the cases analyzed here, one of the relatively striking findings is that public organizations in high QoG regions have adopted many practices that are similar to their private sector counterparts. To start with, in the best performing regions, administrative procedures tend to be as flexible and quick as one would expect in the private sector. This allows high QoG administrations to a greater extent to rectify unexpected situations when they occur – e.g. the revelation of a corruption scandal – than administrations that must closely follow rigid and lengthy public law procedures. A telling example is the recent corruption scandal uncovered in Gothenburg, Sweden, described above. On April 28th 2010, the investigative television program *Uppdraggranskning* uncovered bribery that had been going on during the past few years in the Gothenburg municipality and one of its municipality-owned housing associations. The City Council acted quickly in collaboration with the private sector, and by May 10th, the firm Ernst&Young delivered its report as external auditor. Later in the month, the civil servants involved in the mismanagement of public funds were removed from their positions and by June 11th the state prosecutor at the National Anti-Corruption Unit announced the charges against the

³² Morgado 2010, 111

³³ Charron 2010, 41

suspects. The way the Swedish public authorities dealt with the situation represents an example of quick response to a potentially devastating corruption case that could undermine citizens' trust in the reputed QoG of the city.

Similarly, the experts in regions with higher levels of QoG concur in the fact that mainstream public organizations in their regions have adapted tools traditionally associated with the private sector to their own procedures and policies. That would be the case, for example, of the regional government in Pais Vasco that, in recent decades, has been importing management tools such as the Porter model of competitiveness or total quality certifications such as ISO and EFQM. On the basis of the Porter model, the Pais Vasco Government initiated a public policy oriented to the formation of industrial clusters as a regional long-term strategy for economic development. This and the EFQM seem to have an important role in the high quality of government observed by the public administration, specifically the high quality perceived in public services, because the public administration procedures are subject to implementation and evaluation according to these tools³⁴.

The conventional response to how to prevent public organizations from being monopolized by patronage and nepotism has been the isolation of public employees from the flexible environment in which their private counterparts work. As regards staff policy, that should be done primarily via three measures: special employment laws different from the general labour laws in a country; access to civil service based on highly regulated and formal examination systems; and guaranteeing secure tenure once the civil servant has been hired for a position. In contrast, in line with the latest research, the experts consulted in this study confirm that the same trends can be observed at the regional level: that is, it is not necessary to isolate public employees in strict regulations regarding hiring, promotion and incentives³⁵. According to experts, in Västra Götaland, the whole recruitment process can take, under certain circumstances, just a few minutes³⁶. In contrast, in regions with theoretically strict merit procedures, such as Jihozapad (the Czech Republic), experts consider that personal and political contacts frequently trump merit in the recruitment process in the public sector. Although the process follows the encompassing Czech laws in terms of civil service entry, and, in principle, anyone with

³⁴Hernandez 2010, 63, 67

³⁵For example, scholars indicate that, regarding corruption and good governance, a “closed” bureaucracy does not seem to have significant positive effects. Dahlstrom, Lapuente and Teorell (2009) in an analysis of 52 countries show that, first, a meritocratic bureaucracy does not need to have those mechanisms in order to be capable of curbing corruption. The Swedish bureaucracy is a clear example: one of the countries ranking at the top in all indexes of control of corruption has most of its public employees covered by general labour laws, that is, like their private sector counterparts. Sweden, which has an “open” civil service system, recruits most of its employees in the same way as standard firms or NGOs, according to the rule of “best-suited candidate for each position” (OECD 2004: 4). Second, having a “closed” civil service system – that is, in which recruitment, in sharp contrast to private organizations, follows formal procedures to theoretically guarantee transparency, legality and impartiality – does not need to lead to lower levels of corruption. According to Dahlstrom, Lapuente and Teorell (2009), the reason could lie in the fact that a *de facto* meritocratic recruitment – i.e. merit counts – is poorly correlated with a *de jure* merit system – i.e. highly regulated formal exams. These could be the case in countries like Greece and Italy where, for the experts in central government consulted in Dahlstrom, Lapuente and Teorell (2009), political connections matter more than merit to get many positions in the public sector.

³⁶Jonsson and Varraich 2010, 183

the adequate competence and skills should have an equal chance for the job, those who lack either personal, business or political contacts must clearly outperform the candidates with contacts in the selection procedures. The reason is that the latter are often privy to privileged information about the selection process. The region of Wallonie also serves as an example of the importance of contacts in securing a position. One of the experts elaborated on his personal experience, where there had been three candidates for a position and the one that was selected was the one that was affiliated to the “right” political party³⁷.

Nevertheless, on the basis of experts’ responses in different EU regions, two different patterns of *de facto* non-meritocratization can be seen in countries with *de facto* merit systems. On the one hand, in QoG average regions like Wallonie, political contacts mostly trump meritocratic procedures at the managerial levels of the administration, and only marginally among street level bureaucrats and professional groups delivering core services.

In addition, Bulgarian experts agree that the pervasiveness of personal networks increases in small municipalities in which contacts are easier to establish and more solid. This fits the pattern found in studies of nepotism and corruption in other countries, such as Spain, where small municipalities are significantly less transparent in their activities than larger ones. Therefore, there is an increasing, and cross-cultural, body of evidence that questions a conventional view among policy-makers and institution designers: that small polities (e.g. municipalities) deliver better governance because they help to preserve the local identity and, since there are fewer voters per elected incumbent, these polities are more democratic³⁸.

3.8. The importance of self-government with clear chains of accountability

The professionals and experts agree on the importance of a substantial regional self-government as essential for fostering high levels of QoG. Italy serves as a good case for comparison. Of its 20 regions, there are five that, for different historical reasons, enjoy a status of special autonomy – Bolzano (studied here), Valle d’Aosta, Friuli-Venezia Giulia, Sardinia and Sicilia – which includes extensive lawmaking abilities and notable fiscal and administrative self-government. Looking only at the quantitative rankings, it is difficult to claim that regional government fosters good governance, since the autonomous regions show a wide degree of variation. Three regions are well above the EU average, such as Bolzano, Valle d’Aosta and Friuli-Venezia Giulia, but two are below the European mean: Sardinia (if only slightly) and Sicilia (more clearly). Yet the experts’ views allow us to make a more subtle qualification. For instance, in Bolzano, experts consider that the region’s level of autonomy is not, on its own, a sufficient factor for explaining its high levels of QoG, although it does notably contribute to it. The reason is the ample margin of manoeuvre that regional policy-makers enjoy in re-designing institutions to best meet citizens’ demands and to increase efficiency. Another factor that

³⁷Håkansson 2010, 220

³⁸Skaburskis 2004, Sorensen 2006

especially contributes to higher QoG in relation to regional autonomy is the hiring practices exercised in the region³⁹.

Similarly, all Pais Vasco experts rank its high level of self-government as a key factor in understanding the high QoG in the region. Furthermore, experts emphasize the importance of self-government in the process of selecting civil servants. The recruitment process in Basque public administration is in the hands of an independent agency – the Basque Institute of Public Administration (IVAP) – with a record for innovation in staff policy. In addition, Pais Vasco experts point out an important difference between the levels of self government in Pais Vasco and Catalonia – traditionally, the two economically more developed regions and with similar aspirations to self-government. Unlike Catalonia, Pais Vasco enjoys a unique *Concierto Económico*, or legal agreement between the region and Spain by virtue of which Pais Vasco collects its most taxes, including income tax, added value tax and property tax.

One key factor in why regional governance seems to contribute to good governance is that the chains of accountability are clear. This is not the situation in the case of Wallonie, however, which does have ample self-government capabilities. According to its experts, the fact that competences are divided among different layers of government – i.e. federal, Wallonie, French community, provinces and communes – negatively affects the transparency and the effectiveness in the delivery of public policies. There is a notable lack of accountability, since citizens do not know which layer does what under which circumstances. For instance, a 2004 survey by the Walloon Institute for Evaluation, Prospection and Statistics (I.W.E.P.S.) of users' satisfaction with public services found that one out of five citizens were not able to properly identify the level of government involved in the provision of a service. This lack of accountability as a result of a multi-level governance with both cross-time and cross-regional variations in the same country has also been pointed out in the studies of other regions, such as Spain. In the view of some of the Wallonie experts, the reason why some policy-makers prefer not to merge almost overlapping administrative layers is that merging would imply a reduction in the number of positions to be filled by political appointees.⁴⁰

The eight “lessons” presented here are far from an exclusive and exhaustive to-do list to improve QoG. Still, they should be conceived as starting points for discussion and public debate. If one had to summarize the backbone recommendation that emerges from the ten case studies explored is that, as important as it is to develop mechanisms to punish misbehaviour in the public sector (e.g. anti-corruption measures), it is equally important to protect and reward those civil servants who contribute to good governance. Three protections in particular stand out in this analysis of EU regions as being decisive to achieving high levels of QoG: protecting whistle-blowing, protecting meritocratic civil servants and protecting an independent media. We now present the case studies one by one.

³⁹Charron 2010, 17

⁴⁰ (Håkansson 2010, 218)

4. Bolzano-Bozen – NUTS 2 Region (ITD1)

By Nicholas Charron

4.1. Introduction

According to the findings of the regional quality of government survey and the subsequent quality of government (QoG) regional index created from the survey data, Italy has the greatest regional variation with respect to QoG among all the 18 EU countries included in the study. Italian regions span over three standard deviations within the data. On the one hand, there are several regions in the country that rank on the same low level of QoG as the majority of regions in Romania, Slovakia and Bulgaria – namely those in the ‘Mezzogiorno’ (Southern Italy). However, there are also three Italian regions that rank very high in the data and consequently perform as well as regions from Austria or Germany – namely, Bolzano-Bozen, Trento and Valle d'Acosta, which are located in Northern Italy, along the Austrian and French borders, respectively. The remainder of Italy's regions ranks relatively close to the mean QoG among all 172 EU regions. In other words, the Italian case shows that within-country regional differences in QoG may matter as much as cross-country divergences, which is especially relevant for this research project.

This case study focuses on the region of Bolzano-Bozen, also referred to as Alto-Adige or South Tyrol. Within the defined regional definition of Italian politics, Bolzano-Bozen, along with Trento, make up the greater alpine region of Trentino-Alto Adige/Südtirol. It is a special ‘autonomous region’ in Italy (one of five in the country) and thus has been awarded particular autonomous freedoms from the government. At the crossroad between Austria and Italy, the province of Bolzano-Bozen, after being annexed by the Italian government in 1919, was in dispute between Austria and Italy until 1972. The region demonstrates the highest overall levels of QoG among Italian regions, and it ranks among the best 10% in the EU despite its high levels of linguistic and ethnic diversity and past conflicts. The experts are all in agreement that the region deserves its high QoG ranking. Its success has come about thanks to a combination of the region's unique bilingual (German and Italian) status, its high level of autonomy, and several laws in the public administration, especially with respect to hiring practices.

4.2. Description of the Region: Demographics & Population

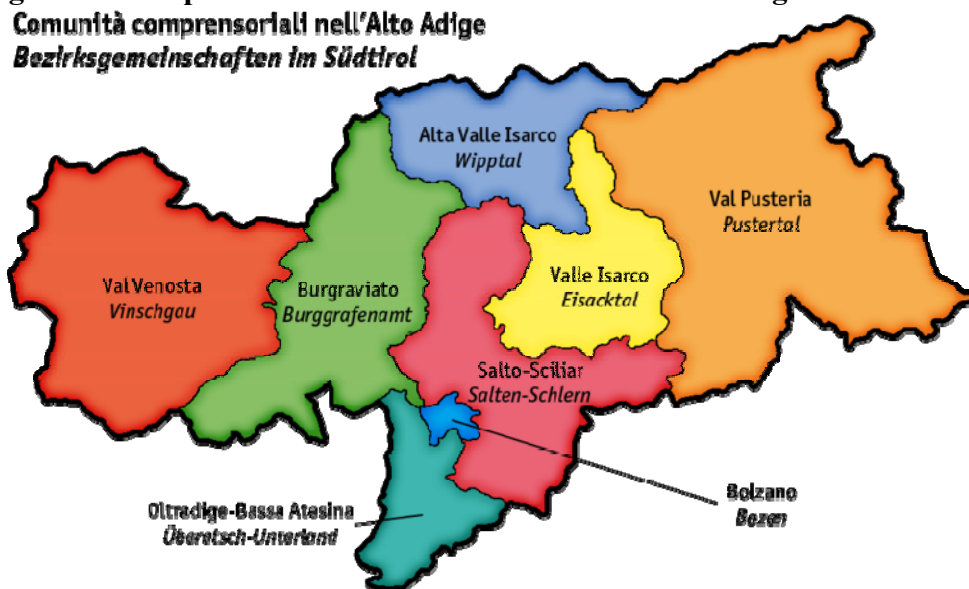
With a population of just under 500,000 inhabitants, Bolzano is Italy's third least populous region, larger only than Valle d'Acosta and Molise. The region has a total area of 7,400 km² and a population density of about 68 people per km². The region is divided into eight smaller provinces. The distribution of population and area is given below.

Table 4.1

District (German/Italian)	Area	Population
Bozen/Bolzano	52 km ²	100,808
Burggrafenamt/Burgraviato	1,101 km ²	88,300
Überetsch-Unterland/Oltradige-Bassa Atesina	424 km ²	63,000
Salten-Schlern/Salto-Sciliar	1,037 km ²	44,400
Eisacktal/Valle Isarco	624 km ²	44,500
Pustertal/Val Pusteria	2,071 km ²	73,000
Vinschgau/Val Venosta	1,442 km ²	34,307
Wipptal/Alta Valle Isarco	650 km ²	18,220

Aside from being one of Italy's smallest regions, Bolzano also distinguishes itself by being only one of two regions (Valle d'Acosta is the other) to have a majority of the population speaking a language other than Italian or a dialect of Italian. In fact, according to the 2001 census, approximately 69% of the region has German as the first language, while only 26.5% have Italian as the mother tongue (the remaining 4.5% speak Ladin)⁴¹. In fact, the only district to have a majority of Italian speakers in the entire province is the capital city of Bolzano itself, where roughly two-thirds of the population has Italian as the mother tongue. All other districts have German speaking majorities. Thus Bolzano is one of just two regions in the country that has two officially recognized languages - and one of only 11 NUTS 1 or 2 regions in the EU - meaning that public services, legal documents, street signs etc. are in both languages. This creates unique opportunities that the region has used to its advantage in several areas in the public sector.

Figure 4.1: Map of the 8 districts in the Bolzano-Bozen Region



⁴¹ <http://en.istat.it/>

4.3. Impact of QoG in Bolzano

The region of Bolzano shows relatively high levels in most all indicators that measure various aspects of economic and social development. While these are of course inter-related, many argue that the benefits of QoG in the region have contributed to the region's strong performance.

4.3.1 The Economy of Bolzano

In terms of wealth, Italy as a country has a GDP per capita of roughly 26,000 Euros per inhabitant, which ranks just above the EU average (103.4). Still, it displays wide degrees of variation from region to region, with very wealthy regions in the northern, more industrialized regions such as Lombardia. According to the latest figure provided by Eurostat, Bolzano is the second richest region in Italy at 33,500 Euros (Lombardia is number one at 33,600) which places it at approximately 135% of the EU NUTS 2 regions and means that it is one of the wealthiest regions in Europe. In comparative terms, the region's per capita wealth is about 1000 Euros per capita higher than the average region in the Netherlands and about 4000 Euros per capita higher than the average region in Denmark.

The economy is largely dependent on services, as are most regions in Italy, although, due mainly to the successful high quality wine sales, the region has a higher percentage of agricultural production than the country on average. The industrial production that characterizes much of northern Italy is not as strong in Bolzano. Compared with other regions in Italy – or any region in Europe for that matter – the region of Bolzano has a strikingly low unemployment rate of just over 2% in 2009, and a mere 0.45% long-term unemployment rate. This is compared with a national average in 2009 of about 6.9% and an EU average of 8.3%. Thus the region has been sheltered from the large waves of recent unemployment in Europe caused by the financial crisis and has continued to provide residents with opportunities for employment⁴².

⁴² Source: *Banca di Italia*

Table 2: The Sectoral Composition of the Economy - Value Added (%)

	Gross Value Added in Bolzano (%)	Gross Value Added in Italy (%)
Agriculture, forestry and fishing	4.2	2.1
Industry	22.1	26.7
Services	73.7	71.2
Share of region's Economy for National Economy	1.1	100

4.3.2 QoG reflected in the employment in the public sector

The high QoG in the region is certainly linked to quality services and stable employment in the region. Here, some aspects that have to do with obtaining services and employment in the public sector are highlighted. There is a strong emphasis on meritocratic recruitment based on specialized language skills and education that results in stable employment that awards employees higher-than-average wages compared with the rest of the country. This indicates that Bolzano out-performs most other regions in Italy. Bolzano's language demographics also create a completely unique dynamic in the public sector that can be seen as either very impartial or at times overly rigid and even discriminatory, according to the experts.

Public sector jobs make up a sizeable proportion of employment in Bolzano as compared to all other regions in Italy⁴³. The *Südtiroler Volkspartei* (SVT) thus has a considerable amount of power, based on conversations with local experts. The result is that the size of the public sector is somewhat of an inhibition to personal freedom. However, because of the quality of these services, the majority of citizens are content with trading a bit of freedom (in terms of entrepreneurial opportunities, school choice etc.) for the social order and services provided by the regional government. According to several employees who have worked in similar positions in other regions of Italy, the pay and working conditions for public sector employment is on average significantly higher than in other areas of the country, although this is essentially a means to compensate for the higher cost of living in the region, in particular in the housing market. Moreover, compared with other regions in the country, Bolzano's public administration offers a larger share of 6-12 month internship opportunities for younger workers to gain experience in the labour market before applying for a full-time position, which gives young people an advantage relative to other regions while allowing the regional government to set up a relatively inexpensive apprenticeship system.

⁴³ Steffana Baroncelli

4.3.3 Education in Bolzano

The language grouping plays a major role in this uniquely devised public education system in the province of Bolzano. All residents of the region must declare one mother tongue – Italian, German or Ladin. The school system, devised by the ‘*Südtiroler Volkspartei*’ (SVT) decades ago, is almost completely segregated by language. Thus German speaking students go to school with almost exclusively other German speaking students, and the same is true for Italian students. The SVT and German speaking majority felt that this was the best way to protect the language and culture of the German speaking population in the region and to ensure that they would remain a majority in the region despite being a small minority in the country on whole. Some argue that this rigid, segregated model is old and outdated – that, compared with other public services that the region provides, such as health care or water/ electricity, public education prohibits true integration of the region’s residents. Although an Italian speaking teacher at a German school claims that students in the city of Bolzano do not go so far as to become hostile to one another based along linguistic lines, the opportunities for integration are indeed limited. However, many in the German speaking population fear that integration will lead to a serious reduction of the use of the German language in just a few generations, and thus the education system is the key to preserving the status of this group. The same argument is given for native speakers of Ladin.

One recent change to the education model of strict segregation and the *proportionality rule* is the relatively new Free University of Bolzano-Bozen, which is located in the center of the capital city. The university, which includes English as a third official language, breaks from the ordinary model of education in Bolzano in that it does not require employees (or students for that matter) to be bilingual in German and English, and thus does not require the *patentino* for employment for most positions. Although the lectures and courses offered are almost equally divided (one-third for each language) the German media is critical to this new system because it serves as a new model that could threaten to destabilize the strict language segregation that marks both secondary and elementary schools in the region. Furthermore, the German speakers do not have their usual 70% proportionality rule, and thus Italian speakers or international candidates have a much better chance of employment here than in other areas of public employment.

Overall, on the quality of the outcome, almost everyone I spoke with agreed that the students are prepared for the workforce. Almost all students come out completely bilingual in German and Italian, which is a noticeable difference from most other EU regions in that English is the third language studied and, in my experience, the level of knowledge of the English language is significantly weaker here than in other areas of Italy, or especially Austria.

4.3.4 Health Care in the Region

All experts claimed that the health care in the region, its quality and/or subjectivity to potential corruption, is of top quality and free for all citizens (or foreigners who happen to be in the region). The autonomous nature of the region means that the region itself is required to fund and administer the health care system independently from Rome. No complaints of bribery or low quality were made, only that waiting times could be longer than desired and that top positions for surgeons or other high-ranking jobs in the health sector are usually reserved for German speakers, and the 25% of the jobs that must

go to Italian speakers, for example, are simply offset by overcompensating the hiring of Italian speakers at lower levels of the bureaucracy. While I do not have hard evidence to support this, this was the general sentiment of the interviewees.

4.4. Causes of QoG in Bolzano

4.4.1 Cross-Border Contact and Learning: Bolzano and Tirol

Although extremely stable, developed and wealthy by current European standards, the region of Bolzano has been fraught with conflict and social unrest for centuries. At the cross-roads between the Italian and German speaking people of Europe, the region of South Tyrol has been strategically important for many competing European powers. Having been a part of the Austro-Hungarian Empire as a part of the region of Tyrol (Austria), Bolzano shares a very high level of integration with its northern neighbour. Thus one of the clearest advantages the Bolzano has over other regions in Italy is its proximity to Austria along with its cultural and linguistic similarities. Economic exchanges from tourism to commercial trade exist on a very high level here. The infrastructure and architecture are markedly closer to the Austrian style than the Italian in most areas. The organization of the public sector is also clearly marked by this strong cross-border connection. Similar to Jihozapad and Nord-Vest, the region of Bolzano has taken advantage of its diversity and geographic position and, as a result, the region has a high level of QoG.

4.4.2 Historical Context of the Relationship

Recent history reveals the remarkable exceptionalism of the region in its ability to overcome its ethno-linguistic conflicts and make its ties with Austria to one of its primary advantages. After the Austro-Hungarian Empire was defeated in World War I and its territory divided, the southern part of Tirol was officially claimed by Mussolini's Italy in 1920. The remainder of the region was divided and the areas of north and east Tyrol remained under the control of Austria (today known simply as the province of Tyrol). Although the region was attractive at the time to the Kingdom of Italy due to the somewhat significant Italian-speaking minority there, the German-speaking population was around 90%⁴⁴. This led Mussolini's government to adopt the strict policy of 'Italianization' of the region in order to increase the Italian-speaking population and to marginalize the German-speaking majority in all areas of public life. The measures included banning the German name 'Tyrol' in all public places and media (renamed Alto-Adige), removing all German street signs and store names, preventing any German-speaking immigration, enforcing an Italianization of German surnames, enforcing an 'Italian-only' policy in all legal and security settings including courts and police matters and closing all German schools, newspapers and hospitals and replacing them with Italian counterparts. Thousands of Italians from the south were either given incentives to relocate to the region or simply transferred to the region to replace the German-speaking teachers, police and bureaucrats to achieve the goal of an Italian majority. Distrust of public authority among the German speaking people was extremely high at this time.

In 1939, Hitler and Mussolini agreed to allow the German-speaking people of the region a choice to move to Austria or to remain and be Italianized (known as the *Option*

⁴⁴ Find source.

in Südtirol), where over 80% accepted⁴⁵. After the Nazi regime fell, an international agreement was reached by the Allies, Austria and Italy to allow South Tyrol to remain a part of Italy (known as *Trentino-Alto Adige/Tiroler Etschland*) yet allow the German language official status in the region. Although the German-speaking people now had equal rights and formed their own political party (the *Südtiroler Volkspartei - SVT*), they were unable to achieve any type of self-rule as a result of the region being combined with the heavily Italian dominated Trentino. As the German minority felt disenfranchised from public and political life, conflict, including terrorism, ensued in the region and, in 1960, the dispute was taken up by the United Nations. In the late 1960s, the region of South Tyrol was given special 'autonomous status' by Rome and essentially a separate provincial rule from that of Trentino, thus giving the German-speaking people a majority status in an Italian province and, in effect, making the region somewhat like the French-speaking province of Québec in Canada. The accord was finalized in 1972 and, since then, the region has enjoyed significant political and economic autonomy and economic growth. Although there have been calls by some to succeed (secede?) from Italy at times, the *Südtiroler Volkspartei* has resisted the temptation of a referendum and maintained social harmony between the two language groups. The region today has good relations with both the neighbouring Italian and Austrian regions.

4.4.2 Regional Autonomy

Of the 20 regions in Italy (as defined by the EU, there are 21, with Trento and Bolzano being two separate regions) five have been given special autonomous status – Trentino Alto-Adige, Valle d'Aosta, Sardinia, Friuli-Venezia Giulia and Sicilia. These were given such status by the Italian government primarily for linguistic and geographic reasons in order to avoid secession. The autonomous status of the region and the remarkable independence and lawmaking freedom that have been awarded to the regions demonstrate the political and administrative relevance of Bolzano as a case study, unlike some NUTS regions in more centralized countries such as Poland or Slovakia. According to Article 9 of the Special Status agreement of the Region with the Italian government, the region of Trentino Alto-Adige has the rights to make laws and administer over many areas of public life, including⁴⁶:

1. Local urban and rural police;
2. Primary and secondary education (middle schools, classical, scientific, teacher-training, technical, further education and artistic secondary schools);
3. Commerce;
4. Apprenticeship; employment cards; categories and qualifications of workers;
5. Establishment and functioning of municipal and provincial control commissions on employment;
6. Public entertainment insofar as public safety is concerned;
7. Commercial businesses, without prejudice to the requirements of State laws for obtaining licences, the supervisory powers of the State for reasons of public safety, and

⁴⁵ C. F. Latour: 1965

⁴⁶ "SPECIAL STATUTE FOR TRENTINO-ALTO ADIGE - Modified text of the Constitution of the "Trentino - Alto Adige"
Region and the Provinces of Trento and Bolzano"

the power of the Ministry of the Interior to annul in accordance with national legislation the provisions adopted in the matter, however definitive. Ordinary appeals procedure against such action shall take place within the framework of the provincial autonomy;

8. Increase in industrial production;
9. Use of public waters, except for large-scale diversions for hydro-electric purposes;
10. Hygiene and health, including health care and hospital assistance;
11. Sport and recreation with relevant facilities and equipment.

In practice, the two separate provinces, Trento and Bolzano, carry out these rights separately, with the regional government having little power or authority on these matters. For the five regions in Italy with special status, these governments are able to keep a large proportion of their tax revenues (between 60% and 100%, in Bolzano's case about 90%) and, in exchange, these regions must fund and administer major public services such as education and health care without state aid (the exception is Sicilia, which keeps 100% of its raised revenues and receives additional financing).

When discussing with the experts Bolzano's special status as autonomous and the fact that the region is allowed to keep so much of its revenues without having to share at the central level of government, most of the experts pointed to this as a potential reason as to why Bolzano performs so well – it is not very involved in the revenue sharing agreement and thus has relatively little responsibility as far as the redistribution of 'bailing out struggling regions' is concerned⁴⁷.

However, if we look at the rankings of the other four regions with respect to QoG, we see that they show quite a wide degree of variation, with Valle d'Aosta and Friuli-Venezia Giulia well above the EU average at 1.53 and 1.02, respectively, while Sardinia is slightly below the EU average at -.10 and Sicilia ranks quite low with a score of -1.07. It is difficult to conclude from this small sample of cases that simply greater fiscal and administrative autonomy brings higher levels of quality of government and better government services overall, as there are clearly several non-autonomous regions that outperform Sardinia and Sicilia.

Owing to the autonomous nature of the region, Bolzano has a much different revenue structure than the majority of the other regions in the country. It is able to keep income taxes per capita by resident relatively lower than the national average because it is not forced into the same revenue sharing that other 'normal' regions, in addition to the fact that it receives a large amount of transfers from other regions of the country. This renders the region actually more dependent on outside revenue than the average region in Italy, as shown in the table below; however, the dependence is not on Rome, as can be observed by the remarkably low level of central government transfers. This in turn obviously leads to a great deal of within-region investments in the public sector and infrastructure.

⁴⁷ Maria Teresa Bartolo

Table 4.3: Tax Structure and Composition of Revenues in Trentino Alto-Adige compared with National Averages

Region	Per Capita Tax Revenue	% Tax Revenue	% Non-Tax Revenue	% Central Government Transfers	% Transfers from other regions	% Other Transfers	Ratio - Current own revenues/ Current expenditures
Trentino Alto- Adagio	248.6	17.9	29.5	0.4	50.9	1.4	54.9
National Ave.	354.3	41.1	22	25.9	9.8	1.3	67.2

□ Municipalities' share of personal income tax is excluded from tax revenue and included among central government transfers.

Source: Banca di Italia.

4.4.3. Public Sector Employment and Hiring Practices

The hiring process is unique to the region and, in principle, is designed to be as fair to the two main language groups as possible, with additional consideration for speakers of Ladin. All public sector workers, from teachers to doctors to postal workers, are hired on a structural level according to the “*proportionality rule*” of each language group as indicated by the most recent census. Essentially what this means is that, if the German-speaking population makes up 70% of the population in the province of Bolzano, 70% of the workers hired in all public sector jobs must be native German speakers, and the same is true for native Italian and Ladin speakers. This is based on an official declaration of the mother tongue to the region by each citizen, which stays on each person’s permanent record along with the census data every ten years. However, the rule is that all residents in the region must declare only one native language before seeking employment anywhere in the public sector of the region. This creates obvious difficulties, as a person could have a German mother and an Italian father or vice versa and speak both languages equally well. Nevertheless, all citizens must choose one.

Furthermore, citizens working in most areas of the public administration, particularly those which require interaction with the public in any way, must have proof of bilingualism in German and Italian (in Italian, called a *‘patentino’*), which obviously makes hiring Italians outside of the regions with little or no knowledge of German very difficult. By law, almost all public sector jobs are awarded if a candidate shows that he/she has successfully passed two things – one, an impartial test of merit and, two, proof of bilingualism from the *patentino*. However, according to the sources in the interviews, there are three main problems in this system.

The first problem is that those from the region claimed that, while the public sector on the whole reflects the proportion of German, Italian and Ladin speakers quite well, the top positions in the bureaucracy and health care system go almost exclusively to German speakers. The political apparatus set up by the SVP contributes to this relationship in that there is a clear favoritism towards German speakers which, according

to the sources, is known and discussed openly by Italian-speaking people in the region; however, the topic is more sensitive in German-speaking circles. This is resented primarily by Italian speakers in the region but is tolerated because of the successful performance of the SVP with respect to economic growth, employment and social order.

Two, the job market, while relatively strong and stable for residents of Bolzano, is far from open to any Italian (or Austrian/German for that matter). The need to obtain the *patentino* for any public sector job in which the service requires the employee to deal with the public in any way clearly favours the German-speaking minority in the region that has grown up in Italy with Italian as a strong second language along with Italian-speaking residents of the city of Bolzano, who are compelled to study German as the first foreign language in school before they begin English. Since the other regions in Italy introduce English rather than German as the first foreign language in the education curriculum, those who have grown up outside of Bolzano are clearly at a disadvantage as their German skills must be acquired later in their teen years or early adulthood relative to Bolzano residents who have grown up with both languages. Moreover, fellow EU citizens from Austria or Germany must prove fluency in Italian in order to obtain a public sector job in the region of Bolzano. For example, in Signora, nearly all teachers in the public schools in the city of Bolzano originally come from the region itself.

Three, the city of Bolzano, with over 100,000 residents, has a majority of Italian speakers (73% according to the 2001 census) yet, because the '*proportionality rule*' applies to the *province*, roughly 70% of the public sector jobs are awarded to German speakers in the city itself, irrespective of this clear difference in demographics. Clearly, the Italian residents believe they are left at a disadvantage in the city region, and many feel that the proportionality rule should be applied on a municipality level rather than a provincial level. The SVT and the German majority in the province has not taken this issue up for serious public debate, however, and it is unlikely that this will be changed in the near future. Thus, overall, the nuances of the job market in the public sector have created something of a protective wall around those citizens who have grown up in the region – particularly the German-speaking ones – while not offering many opportunities to outsiders. However, younger workers are helped by the extensive internship opportunities. Further, compared with the southern regions of Italy, where family or political connections are important factors in obtaining a secure employment position in the public sector, the region provides for and protects residents of the region based for the most part on merit, especially bilingual skills, and hinders potential employees that come from regions outside.

4.4.4 Political Parties and Politics in Bolzano

Most conventional wisdom in the field of corruption studies maintains that a strong, competitive party system in which power changes hands every now and again is good at keeping a public administration clean from corruption and malfeasance. A strong rival party or parties serve as a credible 'watchdog', so to speak, which compels the ruling party to stay on its toes. On the other hand, a single party rule is expected to, on average, set up clientalistic networks and be more corrupt, waste more tax dollars etc. than a country or region with a competitive party system. Furthermore, a region or country with a proportional electoral system is expected much more often than not to produce

multiparty systems and coalition governments. In both ways, the region of Bolzano completely defies the conventional logic.

The current party system, while indeed multiparty, is far from competitive or conducive to coalitions. In 14 democratic elections held every five years since 1948, the ruling party, ‘*Südtiroler Volkspartei*’ (SVP), has won the majority of seats in every election. Until the most recent election in 2008, they had also won a majority of votes in the province, even when their support dipped to 48.1%, but were nevertheless awarded 18 of the 35 seats. They now serve in an oversized coalition with the small, center-left *Partito Democratico*, which won just two seats in the last election. Overall, the SVP is by far the most successful political party in all of Italy in the post-war period with respect to consecutive electoral victories. The figure below demonstrates their electoral success over time:

Table 4.4: SVT Electoral Support: 1948-2008

<i>Election</i>	<i>Vote Share</i>	<i># of Seats</i>	<i>% total seats</i>
1948	67.6	13	0.65
1952	64.8	15	0.68
1956	64.4	15	0.68
1960	63.9	15	0.68
1964	61.3	15	0.60
1968	60.7	16	0.64
1973	56.4	20	0.59
1978	61.3	21	0.62
1983	59.4	22	0.63
1988	60.4	22	0.63
1993	52	19	0.54
1998	56.6	21	0.60
2003	55.6	21	0.60
2008	48.1	18	0.51

source: <http://www.parties-and-elections.de/index.html>

Yet despite its 60-plus consecutive years in power, the party continues to receive strong support from the German speakers in the region and tacit support from the Italian-speaking communities. The party is credited with creating social harmony among the two major groups without ever over-exploiting their German majority or playing up German populist, nationalist or separatist sentiments in their political campaigns that would marginalize the Italian residents. They are also credited with negotiating the special autonomy and financial benefits from Rome for all citizens of Bolzano-Bozen, while establishing an extremely efficient and effective public bureaucracy and infrastructure in the region. People are also happy about the party’s ability to keep social order through a strong rule of law. As one source said, “many people – even in the city

of Bolzano – feel that they can leave their doors unlocked most of the time, as there is so little threat of crime or break-ins”.

Data from the high Commission for Anti Corruption in Rome largely corroborates this sentiment of trust in the ruling party – or at the very least where there is little suspicion of abuse of power by the SVT or the bureaucracy they have established. For example, the High Commission has kept track of the number of all cases reported by region for issues such as ‘abuse of office’ and an ‘an act of corruption against the duties of the office’ in the public sector per year since 2004⁴⁸. Here we find that the number of cases reported in Trentino Alto-Adige is remarkably low, even when population is taken into consideration. For example, in 2008, only six cases were reported in the region for ‘abuse of office’ and nine for ‘an act of corruption against the duties of the office’ (in 2007 the numbers were 19 and 0, respectively). This can be compared to Sicilia’s figures in 2008, which were 407 and 517 (in 2007, 532 and 214), Campania, with 714 and 74 (in 2007, 520 and 113), or even Molise, a region with less than half the population of Trentino Alto-Adige, with 80 and four cases reported (54 and 4 in 2007). By population standards, for example, another autonomous region in Italy, Sicilia, which is roughly five times more populous than Trentino Alto-Adige, had about 68 times more reported cases for ‘abuse of office’ and 27 times the number of ‘acts of corruption against the duties of the office’ in 2008. This is of course not to say that offenses reported by public sector officials or party members equate necessarily to satisfaction, but it certainly gives citizens less cause to be alarmed that the ruling party or bureaucracy is abusing power in any way.

4.4.5. Media in Bolzano

Again, with the bilingual element in Bolzano, the region has a unique media situation in that it has both German and Italian newspapers and radio stations. Television news if local are mainly provided in Italian, while news in German comes from over the border in Austria. According to my sources, the media situation offers a unique check on power. The Italian-speaking media is more critical of the German-speaking establishment, while the German-speaking media offers a unique check on Italian power bases and the national political parties. Since the majority of residents are fluent in both languages, they have the unique opportunity to obtain information from both sides, offering them a wider scope of information on the public sector and those in power from both linguistic groups. Moreover, the media is seen as a credible and reliable source of information that is completely independent from the regional government, in particular the Italian press.

Aside from this element of bilingual news, the experts at both Transparency International and the High Commission of Anti-Corruption maintain that the media in Italy, especially the television news, is mostly national and is hyper-critical of politicians and extremely eager to report cases of corruption and malpractice in the public administration level of governance.

4.4.6. The Impact of the EU on the Region

According to an expert in Italian and EU law, the EU has impacted the region in recent years for two main factors. Both have increased across-border mobility of the

⁴⁸ Relazione al Parlamento: Servizio Anticorruzione e Trasparenza (SaeT): Oct 2008-Oct 2009. Data reported here show ‘reported cases’ not necessarily ‘convicted cases’.

workforce in the region, where the province of Bolzano was once much more closed to outsiders. One, the proof of bilingualism – known as the ‘*patentino*’ - was originally awarded by the regional administration in Bolzano exclusively through examinations that could only be taken in the region itself. Thus no outside proof, such as from a *Goethe-Institut* or diplomas from German, Swiss or Austrian universities, was accepted by the regional officials when an individual sought employment in the public sector. Italians who were fluent in German but had proof other than the Bolzano region ‘*patentino*’ were forced to obtain regionally accepted proof of bilingualism or look for employment elsewhere. This rule was challenged by an Italian national who had proof of German fluency, although from the University of Vienna, and was denied a job at a bank in Bolzano. He took the region to the European Court of Justice on claims that the *patentino* rule of the region went against the free mobility of labour set out by EU’s Article 39 EC⁴⁹. The ECJ ruled against the Bolzano government, arguing that the limited *patentino* restricted labour freedom across member state borders for potentially Italian and German or Austrian citizens. Since 2000, the region has been forced to take any EU-wide accepted proof of bilingualism in the German and Italian languages. This has made many Italians and Austrians in border regions quite happy, while making competition a bit more open to outsiders at the expense of Bolzano residents.

Second, the region has largely benefitted from being in the Euro zone. The fact that Austria is also a member of the Euro zone has all but eliminated the 80-year national border between south and north/east Tyrol. With the Austrian and Italian provinces now use the same currency, there is no barrier to tourism or trade and both activities have increased since 2002 with neighbouring German-speaking regions.

Finally, though not exclusively EU-driven, a minor point worth mentioning was brought up by several sources. The Bologna system that now unifies European higher education has made it much easier for foreign students to attend the Free University of Bolzano-Bozen, as it was earlier more difficult for foreign students to integrate into the curriculum. This has made the city of Bolzano in any case a bit more international and has added some additional elements of EU cultures and perspectives in the education system.

4.5. Conclusion and General Explanations of Bolzano’s High QoG

Bolzano is a unique region owing to its geographic position and history, linguistic status and significant level of political and administrative autonomy relative to most other Italian regions. This is a truly remarkable region in many ways. Compared with the stable and wealthy region of today, Bolzano-Bozen has had an unstable and conflict-ridden past over the last few hundred years in which there was much social unrest due to South Tyrol being controlled by several competing larger European powers. Forced Italianization of the German-speaking people and forced migration of Italian speakers from the south of Italy to the region during the Fascist years generated even more social unrest and distrust of the state. The fact that there is so much harmony and prosperity – without any real sense of true political power-sharing among the two largest linguistic groups due to the post-war success of the SVT – is truly remarkable. The region thus goes against much conventional thinking in the field of conflict studies and studies of ethno-linguistically divided societies in political science, which claims that if power is

⁴⁹ Case was *Argonese v. Cassa di Risparmio di Bolzano Spa*, Case # C-281/98 (2000) ECR I-4139.

not shared among all relevant groups, the region or country will face civil unrest from groups left out of the political process. Moreover, the lack of impartiality in the hiring process for top positions or even through the forcing of 70% German employment (or in theory vice versa, with 25% Italian forced employment) has not hindered the region's success in terms of employment, economic development and QoG.

On the basis of the experience in the region and the discussions with a number of experts and residents in the area, I would argue that there are several integrated institutional and cultural arguments that can explain why the region is so relatively successful with respect to quality of government in the public sector. The explanation starts of course with two primary factors. The first is Bolzano's special autonomous status given to the province by Rome and all of the financial benefits and political/administrative autonomy that this relationship implies. The second is – especially since 1972 when the province of Bolzano-Bozen was made all but separate from Trento - the unique status of Bolzano as a German-speaking region in the Italian speaking country of Italy, much like the region of Quebec in Canada or Ticino in Switzerland. Building on these two factors, a number of other elements have been added to the equation over time to create this atmosphere of a quality public sector.

One, the ruling party, the SVT, has created a large bureaucracy in which the regional government has almost exclusive control over areas such as health care, utilities, education and infrastructure. Rome plays almost no role at all in the funding or decision-making with respect to hiring practices or salaries in these areas. This means that the SVT has had enormous power with respect to decision-making and has been able to make rules with respect to the hiring of public servants in their relatively large public sector that favour the residents of Bolzano over all outside competition. Two key rules, the '*proportionality rule*' and the '*patentino*', have played a major role in this region's development and remarkably low unemployment. Here we find that the competition for employment in the public sector is almost exclusively 'in house', as very few outsiders have the necessary language qualifications to compete for a public sector job and, until 2000, had little chance to prove it even if they were bilingual. In contrast to a good public sector job in Milano or Rome, where any qualified Italian could apply and have an equal chance at obtaining such job, the region of Bolzano does not provide the same opportunities for Italian citizens of other regions, thus benefiting the local residents. Furthermore, the public sector jobs pay on average higher salaries and have higher quality working conditions relative to other Italian regions. This obviously increases satisfaction among the residents of the region working in the large public sector. With the unemployment rate at a steady 2%, the residents of Bolzano-Bozen are almost assured a stable and well-paying job, and are all but shielded from outside competition – especially those with German as the native language - even in the high-skilled sectors, such as medicine, education and engineering.

Two, the regional government - because of its financial arraignment with Rome – has been able to afford to invest in quality infrastructure and service and ample security to keep the roads at top quality, and clean and safe for residents. The fact that approximately 90% of the tax on income, roads, tobacco, lottery and alcohol for example stays within the region and is not redistributed to Rome allows the region the economic wherewithall to invest in quality service and infrastructure along with higher salaries for public workers that other regions simply cannot afford. Furthermore, this is obviously

the most accommodating region to business cooperation and tourism with Austrian and German businesses and residents, and thus most of the region's foreign investment and capital from tourism comes from the wealthy German-speaking countries of Europe. As I have been told, the residents of Bolzano – particularly those with Italian as their mother tongue – have been willing to accept this trade-off of German-speaking groups maintaining political control, having less chance to reach 'top positions in the public sector', and limited freedom of school choice/entrepreneurship in exchange for low unemployment, quality jobs, strong health care and a safe and clean environment relative to the rest of Italy.

Three, according to the data on reported 'abuses in office' the SVT has kept themselves relatively clean despite the lack of true political competition. The common explanation is that there is a sense of 'regional pride' or 'protestant work ethic', and the incentive to show both the local residents and the rest of Italy that the ruling German-speaking party is capable of governing and administering a quality bureaucracy keeps the regional leaders motivated to maintain a well governed public sector. Moreover, after forced Italianization and even until the 1960s when the SVT was outnumbered by Italian party support in Trento before the two provinces were essentially divided, the SVT and German residents are proud of what their rule has accomplished and wish to keep their reputation as one of – if not the – best regions in Italy. These factors contribute to high levels of pride and satisfaction among the German-speaking residents because their interests are particularly cared for by the '*proportionality rule*' and the *patentino*, and even among Italians, who are also beneficiaries of the system. The SVT's positive performance and relatively clean record, free from major scandals while governing, are reflected in their remarkable political success as the only ruling party in the province since 1948, where not even a single rival party from either language group has posed a major electoral threat. The Italian-speaking population does not generally challenge this because of the performance of the government along with the fact that the majority of this population does not originally come from the region but was moved here from other regions after WWI. Thus there is no 'Bolzano dialect' in Italian or any unified Italian-speaking political movement in the region. Unlike other regions, such as Sicilia or Toscana for example, that would most likely strongly resist a German-speaking government controlling their public administration, the Italians in Bolzano are not really 'Bolzani' originally, and thus are less prone to thinking that the region is or should be 'theirs'. The performance of the SVT helps reinforce this as well. The Germans on the other hand speak a South Tyrolean dialect and have historically controlled the region as the majority group and have a well organized political structure in the region.

Four, other institutions, in particular the education system and the law mandating that each citizen declare only one mother tongue on the census and public records, create a self-reinforcing mechanism of this strong German presence and will continue to reward German-speaking and bilingual residents of the region, although the EU has weakened their hold on hiring power somewhat in recent years. The obvious incentives to claim that one is a 'German speaker', even if a child comes from a mixed-linguistic family, will help ensure that those that claim 'German' as their mother tongue on the census will remain in the majority for years to come. The census taken every ten years is what drives all hiring practices for the following decade and is thus of great importance for the public job market. Furthermore, the segregated system of education ensures that speakers of

German will not be engulfed by the majority language of the country itself – providing a separate and sheltered cultural and linguistic shield for the German-speaking youth. Although several changes have sought to weaken this relationship in recent years, including the newly internationalized, tri-lingual Free University of Bolzano-Bozen, the elementary and secondary school system remains – and will remain for the foreseen future – separated by language.

Five, the proportionality rule allows for only a limited amount of competition among the rest of Italians in the country for a quality public sector job in the region. For example, if only 25% of the residents claim to be Italian speaking on the next census, only one-quarter of all public sector jobs can be awarded to mother-tongue Italian speakers, and the vast majority of them require fluency in German. Not many Italians outside of Bolzano qualify for this, thus sheltering the Italians in the region from competition. On the other hand, even though borders in the EU are less strict And there is a single currency that increases interaction and trade, the 70% of jobs that would go to German speakers ensures that the unemployment rate among this population is 1-2%, as few German-speaking Austrians are fluent in Italian since they learn English in their school system first.

Overall, the region is able to keep much of its revenue and invest it back in public employment and strong services, while the citizens of the region are all but guaranteed a stable, relatively well-paying public sector positions and quality public services with little or no outside competition. The extent to which this QoG dynamic is replicable in other Italian regions is questionable, yet it certainly shows that linguistic or ethnic diversity can be a real advantage rather than a liability, which certainly runs counter to what most scholars in the social sciences believe.

5. Campania – NUTS 2 region (IFT3)

By Nicholas Charron

5.1. Introduction

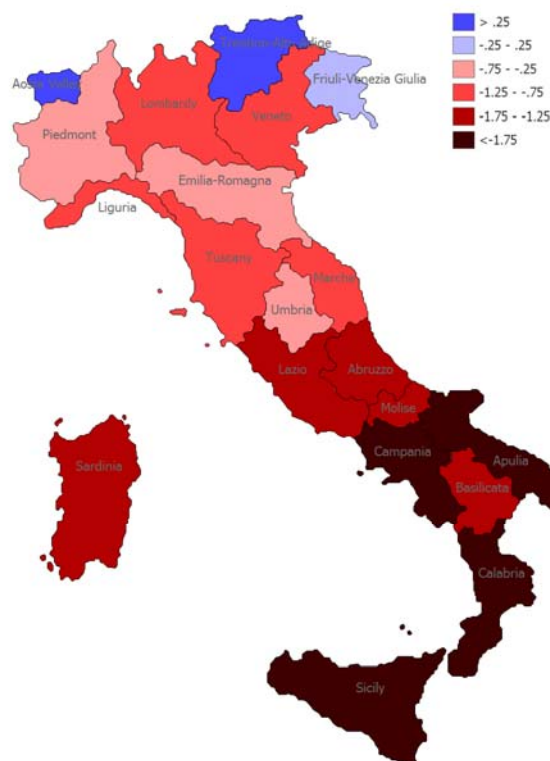
This case study focuses on the region of Campania, with a QoG score that places it among the lowest 10% of the 172 regions in the study, in stark contrast to Bolzano, which displays relatively high levels of QoG. This section discusses the challenges facing Campania and the south of Italy in general and the prospects for improvement in QoG in the coming years. The region has received much scholarly and international media attention and, while this report highlights several of the challenges that the region faces with respect to QoG and economic and social development, much of the findings are well established by previous studies.

Campania's regional QoG score is the lowest of all Italian regions included in our study, which all experts agreed was more or less the correct placement for Campania with respect to QoG in both Italy and in Europe as a whole. Before delving into the details of the region itself and the responses of the experts, recent events regarding the region's problems with waste management must serve as a microcosm of the region's problems with respect to QoG. In 2008, the 'waste management crisis' peaked in Campania, in particular in the city of Naples. Since the 1990s, the regional government had been dumping solid waste into landfills that rapidly became overfilled. Starting in December of 2007, workers, in protest, refused to collect more waste. Consequently, trash piles were left everywhere on the street, which posed obvious health risks and an obstacle to economy activity and daily life. Several reports demonstrated the Camorra's involvement (the largest organized crime group in the region), which had taken over much of the business of waste management by strong-arming and undercutting all competition for public contracts. In this process, they had dumped toxic chemicals together with regular household and business waste and burnt piles of this mixed waste near residential roads without regard to, or oversight by, the citizens of the region. This led to obvious health risks caused by an increase in pollution in the air and soil⁵⁰. After a failed attempt to resolve the issue, Romano Prodi's centre-left government lost the 2008 election to the current prime minister, Silvio Berlusconi's, centre-right government, which has found a liveable solution to the problem by shipping a sizable portion of the region's waste to an incinerator in Hamburg, Germany, while new, large trash incinerators were built in the region⁵¹. However, the problem is still noticeably present in much of the region, especially in urban areas, as trash overflows on the majority of street corners.

Figure 5.1: QoG in Italian Regions

⁵⁰ http://www.iol.co.za/index.php?art_id=nw20080109155132644C221895&click_id=143&set_id=1

⁵¹ Der Spiegel 2009-03-20



Italy shows by far the greatest amount of within-country variation among all countries included in the data given in section 3 of the report, as shown in Figure 1. Before discussing in detail the individual regions, it is important to obtain a general sense from experts in areas relevant to QoG as to whether this overall map and rank order of the regions in Italy passed the ‘eye test’, meaning if there were certain results that stood out as alarming. In all, the survey included only approximately 200 responses per region and there was a plausible possibility for error or misrepresentation of one or more regions. However, every expert consulted during the elaboration of this report – whether country or regional expert – was in complete agreement that this map and rank order of Italian regions was a more or less very accurate picture of the situation for Italy’s QoG today. Not only that, but, according to the head of Italy’s *Transparency International*⁵², this type of regional level investigation was exactly the type of emphasis that T.I. thought the EU Commission should study with respect to the development and evaluation of QoG in Europe. As she put it, “the main problem with so much of the contemporary data used to evaluate state performance today is the emphasis on nation-states.” Similar sentiments were echoed by almost all others interviewed and the overall story became quite clear – talking about QoG or any other outcome variable in a single ‘Italy’ completely misrepresents the overall situation - under-rating the performance of the north while over-rating the performance of the south.

⁵² Maria Teresa Barotolo

5.2. Description of the Region: Demographics & Population

In contrast to Bolzano, which is one of Italy's smallest regions, Campania, located on the southwestern coast of Italy, is the second most highly populated NUTS 2 region in the country (after Lombardia), with a population of approximately 5.82 million people with a total area of about 13.600 square kilometers⁵³. The region is divided into five provinces: Naples, Benevento, Avellino, Caserta and Salerno. The majority of the inhabitants, about 3.1 million, reside in the province of Naples, and the population density of this province (roughly 2.6 thousand per km²) is about ten times greater than the average of the other four provinces. Naples is Italy's third largest city (after Milano and Rome) and the second largest metropolitan area (over 4.4 million, second only to Milano). In addition, Naples is also the smallest province in terms of area:

Table 5.1

Campania's Provinces	Area (km ²)	Population (thousands)	Density (inh./km ²)
Avellino	2.792	444.2072	159.1
Benevento	2.071	293.8749	141.9
Caserta	2.639	906.2326	343.4
Naples	1.171	3106.7801	2653.1
Salerno	4.923	1116.0441	226.7
CAMPANIA	13.596	5867.1389	433.2

Figure 5.2: Map of Campania and its 5 Provinces



5.3. Impact of QoG in Campania

⁵³ According to 2009 estimates from Eurostat.

Compared with Bolzano, and many of Italy's wealthier northern regions, Campania displays relatively low levels of economic and social development and higher levels of crime. Although the relationship can of course be argued from both directions, many of the experts said that weak QoG was a significant factor in Campania's relatively low economic and social development.

5.3.1 The Economy of Campania

In comparison with national averages, Italy as a country has a GDP per capita of roughly 26,000 Euros per inhabitant, which ranks just above the EU average (103.4) yet, as with QoG, it displays wide degrees of variation from region to region, with very wealthy regions in the northern, more industrialized regions such as Lombardia. In terms of the per capita wealth of the region, we see that Campania ranks among the two lowest regions in Italy, with a per capita Euro income of 16,600, which equates to Purchasing Power Parities (PPP) per inhabitant in percentage of the EU average at 65.9 (Calabria, the lowest, is 65.8). This number represents a decline since the 1990s, where Campania's PPP as a percent of the EU average was about 74. The average yearly percentage growth rate of Italy on whole from 2000-2007 was 1.6, while Campania's average growth over this time period was 1.3. Since Campania's GDP per capita is under 75% of the EU average, this region (along with Sicilia, Puglia and Calabria) qualifies as eligible for the 'Converge objective' of the EU. Campania's debt in relation to its GDP in 2008 was 12%, or currently the fourth highest in Italy (after Valle d'Aosta, Lazio and Abruzzo)⁵⁴.

Table 7: The Sectoral Composition of the Economy - Value Added (%)

	Gross Value Added in Campania (%)	Gross Value Added in Bolzano (%)	Gross Value Added in Italy (%)
<i>Agriculture, forestry and fishing</i>	2.7	4.2	2.1
<i>Industry</i>	19.5	22.1	26.7
<i>Services</i>	77.8	73.7	71.2
<i>Share of region's Economy for National Economy</i>	6.2	1.1	100

Sou

rice: Banca di Italia (2009). All data apply to the 2007 fiscal year.

5.3.2 Employment in the Region

Moving to the employment sector, we see that the region is mainly made up of services for relatively large amounts of tourism, as opposed to the more industrialized northern regions of the country. Tourism and the service sector represent almost 80% of

⁵⁴ Banca di Italia's Regional Economies report 2009.

the region's GDP⁵⁵. The remainder of the economy is driven mainly by a weakening industrial sector along with the agriculture-food industry, of which nuts and tomatoes are leading exports from the region. We find however that Campania attracts much fewer foreign workers and residents - 1.7% compared with the national average of about 4.1%⁵⁶ - which may indicate that the economy is much less vibrant and the work force less mobile than in the more industrialized northern regions.

Employment in Campania also stands out as among the lowest in the country in many respects. As of 2008, the youth unemployment rate (ages 15-24) was 32.4%, over 11% higher than the national average of 21.3%. Among ages 25-64, Campania's unemployment is 10.5% and its long-term unemployment rate is 7.1%, in both cases roughly double the national average of 5.6% and 3.04%, respectively, ranking it the second lowest in these two categories as well (after only Sicilia). Campania also currently ranks lowest in Italy with regard to employment rate – at 42.5% in 2008. Moreover, one of the most startling statistics with respect to employment trends in Campania is how uneven the division is between males and females – the difference is over 30% (30.8%), ranking this region among the bottom five regions in this category in all of Europe in terms of gender imbalance.

5.3.3 Education Levels

In terms of education, there are seven universities in the region, five in Naples province (Università degli Studi di Napoli "Federico II", Seconda Università degli Studi di Napoli, Università degli Studi di Napoli "Parthenope", Università degli Studi di Napoli "L'Orientale", and Università degli Studi Suor Orsola Benincasa - Napoli), one in Benevento (Università del Sannio di Benevento) and one in Salerno (Università degli Studi di Salerno). Over 100,000 students were enrolled at the 'Università degli Studi di Napoli "Federico II" in 2009.

However, despite the opportunities for study, the statistics regarding levels of attained higher education is quite low both in comparison to other parts of the country and in comparison to Europe as a whole. Only 11.9% of the total population has a tertiary level of higher education (as compared to the EU average of 22.6%), while the percent of people whole have only a secondary ('high school') level of education or less is 56.2% (compared with the regional EU average of 29.7%). Further, the percentage of unemployed youth with neither specialized training nor higher education is 40.3%, which is in the lowest quartile of EU regions.

5.3.4 Law Enforcement and Safety

A simple look at the macro-regional level data points to extremely weak institutions of law enforcement, even relative to all other regions in Italy's Mezzogiorno. In our data, of the 16 questions in our regional QoG index, four pertain directly to the quality, impartiality and perceived level of corruption of local law enforcement. Campania ranks absolute lowest in all four indicators among all Italian regions.

⁵⁵ Eurostat

⁵⁶ According to the *Istituto Nazionale di Statistica (Istat)* for the most recent year available (2005).

This finding is supported in a survey reported in a recent publication by ISTAT⁵⁷, called ‘Fear and Crime in Italy’, where the following four questions were asked:

1. “Does it feel safe enough to walk on the street at night?”
2. “Does it feel safe enough to walk home alone in the evening?”
3. “Do you stay in out of fear?”
4. “Criminality influences some or a lot of my life’s habits”

On all four questions, the region of Campania scored worst with respect to people feeling safe from crime (while Bolzano and Valle d’Aosta ranked 1 or 2 in all four questions), with a remarkable 57% of respondents saying that crime influences their daily habits⁵⁸.

A look at the ‘hard data’ shows that the actual violent crime rates are significantly higher in Campania than in any other region in Italy, and significantly higher than all others in Mezzogiorno. Here we look at approximately at the start and end year of Campania’s previous Objective 1 period, 1999 and 2005. The region clearly stands out as having the highest levels of violent crime in all of Italy.

Table 5.3: Violent Crime Rates in Southern Italian Regions (per 10,000 inhabitants)

Region	1999	2005
Campania	23.3	30.3
Sicilia	16.3	12.6
Puglia	11.9	12.5
Sardegna	11.6	12.4
Calabria	10.4	12.2
Basilicata	8.6	7.0
Molise	3.2	6.2
Mezzogiorno	16.0	17.5
Centre-North	12.0	12.1

source: ISTAT

While regions like Sicilia and Basilicata decreased their violent crime rate, Campania’s increased by seven (of 10,000 inhabitants), which is the highest jump of any region during this time period, and it was also the highest rate at the start year of 1999. Thus the perceptions data regarding Campania in both our regional index and the recent publication about fear of crime in Italy seem to correspond with the hard statistics. There is clearly both a perception and reality that basic law enforcement and security in the region is weaker than others in Italy, even in the south.

⁵⁷ ISTAT is the Italian National Institute of Statistics (L'Istituto nazionale di statistica). The report referred to here is Sabbadini and Muratore "Fear and Crime in Italy" from "Towards a Safer Society". 2009: http://www.istat.it/dati/catalogo/20100324_00/essays19_2009_towards_a_Safer_Society.pdf

⁵⁸ Sabbadini and Muratore "Fear and Crime in Italy" from "Towards a Safer Society". 2009: http://www.istat.it/dati/catalogo/20100324_00/essays19_2009_towards_a_Safer_Society.pdf

5.3.5 Corruption in the Public Sector: Health Care

This section briefly highlights our findings of corruption, particularly in the health care sector. We found that Campania was one of only 12 regions in all of the EU regions surveyed in which 15% or more respondents in our survey said ‘yes’ to having paid a bribe in the last 12 months. To put this question in a comparative perspective, regions in northern Italy had a ‘yes’ response rate of less than 1% on average. When this point was posed to experts in Italy, two types of answers came up. In the one type, several experts said that many doctors in the region – particularly in Naples – tend to ask people to come to their ‘private practice’ instead of obtaining their services through the public health system. This presumably decreases the patient’s waiting time for an appointment and allows the doctor to charge more money per patient. Some experts explained that many respondents assumed this to be part of the question, or perhaps that it has a larger scope with respect to their understanding of the word “bribe”. Thus, while not encouraged, because health care is tax payer funded and therefore free to all, there is an encouragement of patients to frequent a doctor’s ‘private practice’.

5.4. Possible Causes of QoG in Campania

5.4.1 Regional Autonomy

Campania is one of Italy’s 15 ‘normal’ provinces, meaning that it does not have a special autonomous status as do Bolzano or Sicilia. Once a strong, centralized state, Italy has made significant steps toward decentralization and, as many say, a ‘road to federalism’⁵⁹. While the term ‘federal’ does not appear in the Italian constitution, the country has taken significant strides toward a more federal model in recent years. Two sets of recent reforms are significant for the power of all normal regions such as Campania. One, a reform passed in 1999 states that the presidents of all regions will be directly elected by the people rather than appointed from Rome. Second, a series of amendments (117, 118 and 119) were passed in 2001. According to the current Italian Constitution, under Article 117, all regions now have significant administrative and political functions and are explicitly responsible for all matters not given to Rome. Amendment 118 deals with expanding the regional powers from the regional legislative branch to the executive and other areas of the public administration in a more flexible way, and amendment 119, which states that “Municipalities, provinces, metropolitan cities and regions shall have revenue and expenditure autonomy”, enacted new fiscal autonomies for the normal regions.

A further, more extreme proposal, which would have essentially federalized the country in a manner more like Canada (fiscally, politically and administratively) was written in 2002 (led by Lega Nord’s Umberto Bossi) and passed by the Berlusconi government in 2005 with the help of coalition partner Lega Nord, just before it lost the election to Prodi’s centre-left coalition. The reform would have given the exclusive legislative responsibilities of: health care, education, defining school and training programs, regional police and security. In addition, the reform would have created a federal-style upper house, as in Germany and the US, and weakened the principle of ‘north-south equality’, which sends significant amounts of capital and resources each

⁵⁹ http://www.forumfed.org/en/products/magazine/vol7_num1/italy.php

year from the wealthy north to the developing south. However, a referendum led by southern political leaders and trade unions led to a rejection of the proposed change (61% against, including 83% in Calabria and 75% in Campania⁶⁰).

The regional autonomy in Campania is therefore set at the same level as the other 14 normal regions. This means non-trivial budgetary, political and, in particular, administrative duties go to the directly elected officials of the '*Giunta Regionale*'. Thus, while the funding for Campania comes from direct transfers from Rome (roughly 40% of its budget), the region is almost exclusively responsible for the administrative duties involving communal districts: local police, almost all public services including health care, vocational professional training, regional museums/ libraries and transportation. The region is also responsible for its own economic development with regard to tourism and the hotel industry and infrastructure (maintenance of roads etc.).

These regional responsibilities, which have increased since 1999 and especially 2001, have not been particularly welcome in Campania, but very encouraged from experts and politicians from the northern regions. Overall, there is a clear divide regarding decentralization and more regional autonomy for the regions in the south of Italy. On the one side, there is a fear in Campania that more regional responsibility will inevitably lead to a larger gap between Italy's north and south and that Campania will continue to lose ground economically compared with other West European regions. For example, one regional expert said that almost all politicians – left and right – actively campaigned against the reforms of Berlusconi *which would have given them more power* because of the pessimistic views of federalism and decentralization in the south. They believe that this is an active attempt by the industrial elite in the north to relinquish their constitutional responsibility to aid the less fortunate regions of the south. Views in the north are generally as follows. The dependence of the south on the north is one of the primary reasons for its relative failure to produce good governance. The argument sounds much like the one that many development economists give with regard to heavily aid-dependent countries in Africa, which do not have to account for much of their own revenue, meaning that they spend money each year that is not theirs and never learn to be accountable. The south, in particular Campania and Calabria, has not learned lessons of fiscal responsibility.

5.4.2. Political Parties and Politics in Campania

Unlike the recent political past of the province of Bolzano, the region of Campania has seen genuine party competition in the post-war era. The region is currently governed by a center-right coalition that won over 54% of the vote, led by *Il Popolo della Libertà* (the party of Prime Minister Berlusconi). While the region was dominated by 'catch-all' coalitions led by the Christian Democrats until the 1995 election, Campania has seen power change hands several times between the center-left and center-right since the Italian party re-alignment in the early mid-1990s. Table 4 shows the electoral outcome in the region of Campania in four parliamentary elections since 1995.

Table 5.4: Parliamentary Elections in Campania

Electoral Support

⁶⁰ <http://www.repubblica.it/speciale/2006/referendum/campania.html>

Election	Cen. Right	Cen. Left	Winner Seat %
1995	48%	39%	50%
2000	44%	54%	55%
2005	34%	62%	60%
2010	54%	43%	63%

Source: <http://www.parties-and-elections.de/>, winner is highlighted in Grey

The party system has clearly been competitive, as the center-right controlled government in the mid-late 1990s, while the center-left parties led by Daisy governed Campania for ten years thereafter and the center-right government recently won 63% of the seats in the 2010 election. In comparison to Bolzano provincial elections, those in Campania have been much more competitive in terms of pure balance and change of power from left to right. However, neither of the regions fits the expectation that a competitive party system makes for less corruption and higher QoG – or perhaps, more importantly, the inverse that a one-party system is more prone to corruption. Thus alternative explanations are needed to try to parse out a reasonable expectation as to why Campania performs poorly relative to most other Italian regions. As one expert said, “partisanship in Italy means very little, there are crooks on the left, right and in the middle.” However, one hint of a silver lining was based on T.I.’s findings about young people in the region and their attitude toward corruption as she has measured them for T.I. Italy. This report finds – and the data certainly bear this out – that the party system in Italy favours older politicians who are resistant to change and reforms. On the other hand, the younger voices in civil society and politics are much less tolerant of the poor performance of the region and want to actively change the direction for the better in the future. Thus, a region like Campania can simply wait for the next generation to arrive in politics or try to actively recruit younger people into the decision making process, which she feels would benefit the region as a whole.

5.4.3 Public Sector Employment, Practices and Hiring

In principle, hiring in the public sector is based on merit; yet, in practice, a number of sources said that personal contacts supersede this rule more often than not. Concerning the make-up of the employees in the public administration of the region, one of the most striking differences between Campania and Bolzano when we look at the overall make-up of the public sector is the percentage of women employed in each region. The employment gender gap in Bolzano is very small and, as one source said, “women play a much larger role in both politics and in the public administration than in other regions”. In Campania, the story goes the other way. In fact, it shows one of the largest employment gaps in the EU (almost a 31% difference between eligible males and eligible females).

5.4.3.1 Public Sector Salaries

One common explanation for why performance is poor in the public sector or why corruption may be high is that the salaries of public workers are relatively low. However, pay for all public sector employees in the 15 ‘normal regions’ is the same (possibly

adjusted for regional standards of living), thus what a teacher, police officer, postal worker or doctor would earn in Campania as in Lombardia or Emilia-Romania. On the other hand, pay for public workers in the five autonomous regions is on average significantly higher. The average public employee thus earns more in Sicilia than he or she does in Tuscany or Lombardia. For this reason, it is difficult to say that the salaries have much to do with poor performance.

5.4.3.2 New Law for Increased Transparency: Law Decree 150

One recent change that T.I. Italy felt would improve transparency and thus expectations for governance in the public sector was Law Decree 150 (signed into law in October 2009). This new law is similar to reforms made by countries such as Estonia (see the report on Estonia), which have gravitated towards ‘e-Governance’ in order to cut ‘red-tape’ and make expenditures and salaries transparent to citizens and foreign investors. According to this new law, much administrative paperwork will be freely available for citizens to access online; this includes making all public servants’ salaries public online, which they maintain will raise expectations for bureaucrats in poorer regions such as Campania, because people will then start to think about how much the bureaucrats are earning in tax dollars relative to the sub-standard services received in many areas.

5.4.3.3 Whistle-blowing and Protections for Public Sector Employees

One area that needs improvement in all regions, in particular regions in the south such as Campania, is whistle-blowing protections. While workers under current laws are ‘obliged’ by law to report any malfeasance at work if they are employed within the public sector, several experts said that there are no legal protections for those that ‘blow the whistle’ on a corrupt co-worker or supervisor as there are in other regions in the EU such as in Västra Götaland in Sweden. Thus there is an inherent flaw in the system that requires workers to blow the whistle (with the possibility of penalty for NOT reporting something) while failing to provide them cover from potential backlashes or assurance of anonymity from those that they ‘blow the whistle against’, so to speak..

5.4.4 The Impact of the E.U. on Campania

The EU, and in particular the structural development fund along with the entrance into the European monetary zone, has had a significant impact on the region of Campania, as it has on other developing regions in the south of Italy, such as Calabria. The region of Campania has been impacted – both positively, but more negatively argue the interviewees – by Italy’s integration in the EU by four main factors: the impact of EU reforms concerning increased transparency according to the Lisbon Accords, structural funds, aid without ‘values’ and the end of a north-south unwritten pact of a deflated Lira due to the Euro.

First, several new rules signed into law in Italy that impact regional transparency, such as ‘Law Decree 15’ have been adopted in line with the Lisbon Strategy for productivity growth. The region (and the country as a whole) has adopted several modernization reforms outlined by the Lisbon Strategy, which are meant for

modernization of the public administration, increased innovation and online transparency, for example making regional data on expenditures and revenues freely available on-line to the public. Several of the experts argue that the EU has had an extremely positive impact on the region of Campania and other regions in the south, the benefits of which will go to citizens in a reduction of administrative ‘red tape’ and better public services.

Second, the region has used funds to build infrastructure and transportation. In particular, the region has built several prototypes for energy-efficient schools using development funds. Aid has also gone to important improvements in transportation. The two experts in the region said that two of the most noticeable improvements in the city of Naples and the region as a whole have come in the form of more frequent busses and trains, along with more electric busses in the city center. In addition, a high-speed rail has been built from Rome to Naples which allows passengers to travel from city to city in just over one hour.

On the other hand, several experts point to some of the challenges that Campania faces due to the impact of the EU. The region, along with three other regions in the south of Italy, is classified as a “Convergence” region (formerly an ‘Objective 1’ region), meaning that its GDP per capita is less than 75% of the EU average⁶¹. The region was also at the Objective 1 level from 1999-2006 yet, unlike Basilicata and Sardinia (two other southern Italian regions that were Objective 1 during this time), was unable to meet the goals set by the Commission. In fact, Campania’s performance in meeting the standards set by the EU for Objective 1 regions has arguably been the worst in all regions in southern Italy. As far as growth is concerned, the sources here said that several factors show a lack of development on the part of Campania. First and foremost are the GDP per capita growth rates, which in 1999 were targeted at 3.9% for Objective 1 regions. Campania’s growth rate is far under this goal; for example, from 2000-2006, the growth rate was only 1.3%⁶², and at the same time the region was granted direct aid from the EU worth on average 2.7% of Campania’s regional GDP.⁶³ The fact that the economy grew only by 1.3% despite an aid equivalent of 2.7% during the same period implies that Cohesion Policy operates in a very difficult environment in Campania. It can be argued that if the quality of government were higher, the impact of Cohesion Policy on the development of the region could probably also have been higher. On another front, the region saw falling employment rates of 2.4% during the period 2003-2007, while the other regions in Mezzogiorno saw a combined increase of 2.7% and the central and northern regions in Italy a combined increase of 4.6%. Thus Campania was far from achieving the goals set by the EU despite sizable aid from both the EU and other regions in Italy in the form of government transfers.

This contributes to what some experts argue has led to a ‘culture of irresponsibility’ that plagues the south of Italy. Other sources agree with this assessment and note that Campania’s failure to develop on par with the other regions in central and northern Italy has nothing to do with the fact that it does not receive enough assistance from Rome or Brussels but that it gets *too much* without proper measures of accountability. For example, Campania continues to run deficits each year without any serious consequence, aside from a reputation that obviously deters investment. However, Campania’s public

⁶¹ http://ec.europa.eu/regional_policy/policy/region/index_en.htm

⁶² Eurostat regional statistics.

⁶³ Beutel – ‘The economic impact of objective 1 interventions for the period 2000 – 2006’

sector debt as a ratio of its regional GDP as of 2009 was over 13%, which means that Campania accounts for more than 12.5% of the regional level debt in Italy – which is more than double the percentage of Campania’s population as a total of Italy’s population⁶⁴. Moreover, its public spending increased by almost 5% annually from 2005-2007 (compared with a 1.1% increase among all other normal regions in Italy), as the region grew less than 1%. Thus the argument here is that aid to Campania, along with other regions in Mezzogiorno, contributes to fiscal irresponsibility, leadership deficits and moral hazards in the region. For example, EU cohesion funds would need to be given to these regions together with some sense of a ‘stick’ if certain goals are not met. As of now, according to the EU Commission’s criteria, to be eligible for another seven years of Objective 1 (Convergence) funding, a region must have a GDP per capita below 75% of the EU average.⁶⁵ Several experts argue that there seems to be little reason, other than possibly reputation or regional pride, to make any significant effort to exceed the 75% average EU GDP per capita when the benefits of *not* doing so are so generous. By not achieving the EU objectives, the region has been rewarded with a further 6.8 billion Euros in aid from 2007-2013⁶⁶. The same goes for the redistribution within Italy itself - there are few consequences for budget irresponsibility in terms of regional deficits. The southern regions are aware that they will continue to draw in transfers from Rome each year, regardless of their performance. This gives Campania and other regions in Mezzogiorno very few incentives to improve and, in fact, provides strong incentives to keep the status quo. Moreover, because such aid does not come out of the pockets of the local tax payers, it is often siphoned off by organized crime or is ripe for corruption among public employees, without any accountability or direct backlash from the people⁶⁷.

Finally, a key difference that the EU has made in the region of Campania, along with others in Mezzogiorno, has been the change in the economy since the adoption of the Euro. Two of the experts argued that the Euro disrupted the equilibrium between the north and south of Italy that lasted from the post-war era until the early-mid 1990s. Until this time, there had been an unspoken alliance between southern regions like Campania and the industrial northern Italian regions with respect to the high levels of deflation of the former currency, the Lira. The central banks allowed the Lira to inflate because it was the only acceptable solution to the majority of important actors in both northern and southern Italy. For the north in particular, the policy allowed businesses to be competitive with other European states with regard to exports. For the less developed south, regions such as Campania had used primarily public expenditure as a strategy to encourage growth and consumption, due to the weak private sector. They could thus spend with little concern for inflation. However, when Italy planned to enter the European Monetary Union in 2002, the country lost its balance and was forced to address problems coming from structural debt. For better or worse, the central government is now missing an important instrument that it used to use in masking the disparities between

⁶⁴ Banca d’Italia – annual regional report.

⁶⁵ http://ec.europa.eu/regional_policy/objective1/regions_en.htm

⁶⁶ http://ec.europa.eu/regional_policy/country/prordn/details_new.cfm?gv_PAY=IT&gv_reg=ALL&gv_PGM=1162&gv_defL=9&LAN=7

⁶⁷

northern and southern regions, and many argue that it has accelerated the gap between south vs. north and central Italy.

5.4.5 The Media

The role that the media plays in Campania and Italy as a nation is a controversial topic. Unlike the region of Bolzano, which benefits from more diverse media sources – namely German speaking along with access to Austrian television and newspapers – this is not true for the region of Campania. The national and regional media have a reputation for having a very condensed and consolidated ownership – which includes the current Prime Minister – that can result in many leading sources of news being compromised in the case of malfeasance, discrimination or poor quality in the public sector. Most leading NGOs that track media freedom around the world reflect upon this. For example, *Reporters Sans Frontiers* 2010 report on press freedom and ranks Italy at 49 in the world, behind several African countries such as Cape Verde, Ghana, Mali and South Africa⁶⁸. They say that, in Italy, reporters are bullied and threatened if they attempt to uncover certain stories about the political elite. Moreover, *Freedom House* rates Italy as only ‘partially free’ with respect to press freedom, and ranks the country last among all EU-15 countries and 25th among all 27 EU countries (ahead of only Bulgaria and Romania).

The experts expressed divergent opinions with respect to Italy’s media. On the one hand, there are several regional newspapers in Campania and the television news is largely concentrated to the hands of ‘Mediaset’, owned by Prime Minister Berlusconi. Since television remains the primary source of news for about 80% of the Italian population⁶⁹, this may have a negative impact on regions such as Campania in that the media may cover, instead of serve as a check, of those in power, especially while the center-right controls the government. On the other hand, several experts claimed (including those at Transparency International in Milano) that the primary problem that the media has is that it is too critical, and often over-reports stories, such as political corruption cases, in order to sell newspapers or increase ratings. There is no stringent law in Italy against ‘defacement’ or malice vis á vis a public (or private) person by the media, as has been established in other countries such as the United States in the Supreme Court case of *New York Times Co. v. Sullivan*. It was argued by some that this has led to a desensitized domestic population at the same time that it harms Italy’s reputation abroad.

5.4.6 Weak Private Sector and Organized Crime

The problems associated with organized crime in southern Italy, in particular the Camorra in Campania (the name of the largest mafia group in Naples), are well documented. The experts emphasized that the impact and challenges of organized crime on QoG are particularly salient in this region. Organized crime controls much of the private sector and receives many government contracts. They keep competition out of play through violence or bribery and draw revenues from all types of activities, from human smuggling to political corruption to waste management. They also have an incentive to make the regional government look weak in order to be able to present themselves as the ‘problem solvers’ of the region and thus gain government contracts to

⁶⁸ <http://en.rsf.org/>

⁶⁹ <http://www.icr.dit.ie/volume9/articles/ODonnell.pdf>

complement their illegal activities. The latest example of this was the ‘waste management crisis’, where their handling of this public service led to extreme environmental and human health risks⁷⁰. This issue – perhaps above all others – was mentioned as the greatest obstacle to QoG and strengthening a viable private sector in the region.

5.5. Discussion and General Explanations of Campania’s Low QoG and Recommendations for Improvement

That Campania exhibits a low level of quality of government relative to both Italian and European regions overall was not surprising to any of the experts. Due to the relatively high degree of scholarship and past focus on this region, it is difficult to argue that the findings of this report come to any ‘novel conclusions’ other than to elucidate what experts have known for some time – that the rule of law is weak, organized crime has a strong presence, the region is highly dependent on development aid from Rome and Brussels, unemployment is high, foreign capital coming into the region is low, etc. etc. Much of this is well established and accepted among most scholars and policy-makers interested in Italy. It has resulted in a poor reputation for the region, both at home and abroad, and development and credit from local banks for residents who wish to buy a home or start a business has been significantly hampered. Thus it is difficult even after discussing the topic with several country and regional experts to come to any ‘original’ or ‘ground-breaking’ conclusions with respect to why Campania exhibits such a low QoG. However, several issues that came up frequently in discussions are particularly salient to Campania’s development as a region along with an interesting debate that focuses on new laws concerning transparency, decentralization and privatization that are currently being enforced in Italy.

One issue that came up on a number of occasions in discussions with experts on QoG in Campania was the idea that this region (and other regions in the south) were receiving huge amounts of aid and transfers from other regions/countries without there being any ‘values’ attached to them. Several experts fervently argued that the problem is akin to the current situation in Belgium, where the north of Italy is similar to the Dutch-speaking Flanders region and the south of Italy is similar to the French-speaking Wallonia region. They claim that the endless aid and redistribution cannot go on without serious social and financial consequences to the country, and that large institutions, such as the EU, must make large goals for improved ‘values’ very clear to struggling regions. Punishments (sticks) and rewards (carrots) must be used in this process, as regions such as Campania face little or no threat of a withdrawal of external funds if they do not achieve the goal set forth by the Commission, Rome etc. These ‘values’ should not contradict the goal for equality and should not overburden regions that have acted responsibly. Much like the EU’s stated goal of creating a ‘free flow of capital’ among member states, Brussels must send a clear message about the values of ‘good governance’ for struggling regions.

The region also suffers from a lack of attention to simple, infrastructural levels of development and a rule of law deficits that the vast majority of other regions in the EU 15 have built. For example, the lack of attention to simple rules of littering on the street, driving codes for stopping motor traffic for pedestrians at crosswalks or renovating

⁷⁰ <http://www.dn.se/nyheter/varlden/har-tvattar-maffian-sina-knarkpengar-1.505542>

poorly kept roads must be addressed. So many of the problems are a bad signal that a poorly kept infrastructure sends to citizens about the way a government values them and the way their tax dollars are spent. This has implications for the rule of law and makes people less sympathetic to the argument against organized crime running certain services. Other reforms must wait until the very basic infrastructure of the region is improved and the local security is able to address small crimes before larger areas of the region's problems, such as corruption in the health care system, can be addressed.

Citizens of Campania, as well as other regions in Italy, will most likely benefit from more laws that make governance in the region more transparent, such as Law Decree 150. The EU and policies driven from the Lisbon Accords have been and can continue to be helpful to the region in this regard. In addition, learning from effective rules, such as strong whistle-blowing in regions in Sweden, could be extremely beneficial in routing out some of the problems having to do with corruption and/or poor quality in the public sector. At present, however, such protection does not exist. Thus people generally do not feel secure enough to report such incidences as often as they might otherwise.

On another note, the issue of decentralization and/or privatization serving as a 'cure' to QoG Campania – and other regions in Mezzogiorno – is a fierce debate. Many experts feel very strongly that the region is too dependent on Rome and Brussels and has not learned the 'hard lessons' of fiscal responsibility and balancing budgets. Decentralization and more fiscal autonomy for Campania, and other southern regions with large amounts of debt, would force governments to be more accountable for their spending and foster more norms of responsibility in the public sector. As of now, Italy's somewhat confusing, asymmetric semi-federal system allows sub-national actors the luxury of simply passing the blame to central government actors for fiscal problems. Decentralization and more autonomy on the revenue side would reduce uncertainty among citizens as to 'who is in charge'. Experts in the north in particular feel that this is the only true way to find balance in a country where the central and northern regions have been carrying a disproportional amount of the financial burden – and providing citizens relative good QoG – while the southern regions simply 'ride free' year after year without being hard pressed to reform. Decentralization would thus allow northern regions to invest more in their infrastructure and state capacity, and most likely improve QoG in wealthier regions such as Lombardia. However, on the other side, many southerners feel that the gap between southern and central/northern Italy would only widen, as they would have less opportunity to tax an already fiscally strapped population, while the wealthier north would have more revenues to draw in and thus more resources to produce better QoG.

On privatization, many experts argued that allowing for competing firms to provide services, such as charter schools, post office, transportation etc., would bring down costs and allow private firms to specialize in given areas of service, giving consumers more efficient and better quality services. However, one legal expert warned of this in Campania. She argued that while in the north of Italy, where private industry and the free market is strong, the desired effects of privatization on QoG might well occur, this would only erode QoG over time in regions such as Campania. There are only two economies in the region – the public sector and organized crime. The private market has little or no presence in regions like this. Thus, if the public sector were to cede more control of public service over to privatization, contracts would simply be taken by businesses

operating under the umbrella of large criminal groups. Thus privatization in and of itself would only harm a region like Campania if not accompanied by strong and committed rule of law and crime fighting measures. Thus, in the short to mid run, the best solution is to strengthen the public sector via more transparency and accountability.

6. Västra Götaland – NUTS III Region (SE232)

By Sofia Jonsson and Aiysha Varraich

6.1. Introduction

The following case study considers the region of Västra Götaland (VGR) of Sweden as a relevant example of a highly performing region in the EU with regard to QoG. The region is part of a large, well performing NUTS 2 region (*Sydsverige* – SE 2) that ranks among the top 5% of EU regions with respect to QoG, with a score of 1.50. The region of Västra Götaland itself is a NUTS 3 region (SE 232) and was chosen as the focus of the report because of its administrative relevance, as the Västra Götaland region was specifically created as part of Sweden's participation in EU's regionalism project.

The aim of the study is to gain an understanding of the reasons for the high quality of government observed in this region using primarily perception based data. In the case study, interviews were conducted with experts from the sectors of governance regarded as the most decentralized: health care, education and law enforcement. The experts were chosen for their specific roles as observers or providers of public services. Their expertise has been utilized to make comparisons with the theories explaining the factors underlying good quality of government. To avoid bias in the results that could be caused by a concentration of respondents, two municipalities within the region are represented in the report: one urban – Gothenburg (the largest city in the region and the second largest in Sweden) – and one rural – Skövde (smaller than Gothenburg but one of the bigger municipalities in the region). By and large, the experts strongly agreed with the QoG ranking of the region with regard to its strong performance, in comparison to other EU regions.

The research here found that the reasons for the high quality of government in the region could be seen above all else in the high level of impartiality for all citizens in the public sector, with institutions such as: whistle-blowing, meritocratic hiring practices, with a special emphasis on the watchdog role played by the media. Furthermore, a potential reason for the high quality of government that all experts agreed upon was that of universal services that stem from national policies ensuring the impartiality of institutions down to the regional level, while still allowing regions independence in terms of regional development and economic decisions concerning to FDI and development.

Every day

...7500 visits are made to Region Västra Götaland's hospitals.

...50 children are born in Region Västra Götaland's hospitals.

Dental care is free up to the age of 21.

Region Västra Götaland has 50,000 employees all over Västra Götaland at almost 2,000 workplaces. 80% of these are women.

Region Västra Götaland purchases services and goods for over 6 billion SEK every year.

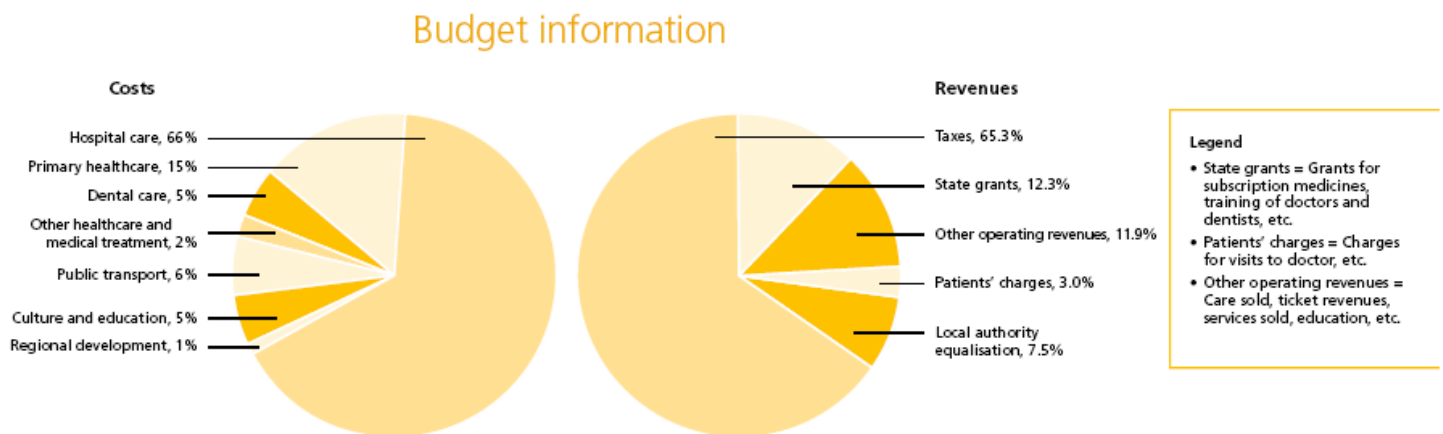
Source: *A good life- A presentation of*

6.2. The Västra Götalands region: Demographics and Background Information

The region is located on the west coast of Sweden, consists of 49 municipalities⁷¹ and has a population of 1.5 million, which is 16.8 % of the total Swedish population.⁷² The municipalities have different numbers of inhabitants, from Dals-Ed with fewer than 5,000 inhabitants to Gothenburg with a population of more than 500,000. The population density is on average 65 inhabitants per square kilometre. Historically it is the center of trade and a region where industry has been one of the greatest in Swedish production, with the country's busiest port situated in the city of Gothenburg on the western coast. Half of all Swedish exports pass through the Port of Gothenburg.⁷³

The region of Västra Götaland is one of Sweden's leading employers. Regional activities financed by regional taxes and are among others in the areas of infrastructure, culture and environment⁷⁴. The operating budget amounts to approximately 40 billion

Figure 6.1.



SEK. Regional taxes serve as the major contribution to the regional budget while state grants constitute 12.3 %. As the tax revenues are dependent on what the region's inhabitants earn, it is in the interest of the region to have high employment rates. Therefore, it is a high priority for the region to create jobs and an attractive environment for companies so that more people work and pay taxes. This form of tax payment is unique in Europe and may be one reason for the high quality of government.

6.3. Indications of the impact of QoG in the Västra Götaland Region

6.3.1 VGR Economy and Employment

Västra Götaland is among the best performing regions in Europe with respect to quality of government and GDP per capita. Its annual GDP per capita is in line with the

⁷¹ <http://www.vgregion.se>

⁷² Statistiska Centralbyrån (SCB) 1 569 458, which is 16, 8 % of the Swedish population (2010 March, 9 354 462) see appendix 1

⁷³ <http://www.vgregion.se>

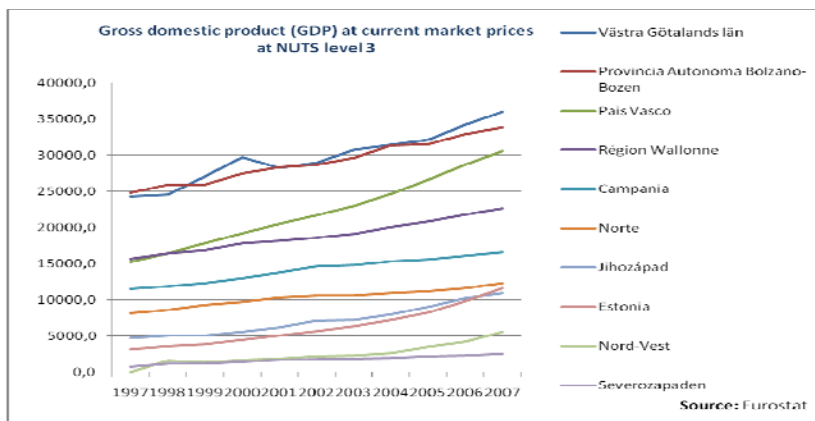
⁷⁴ "A good life- A presentation of Region Västra Götaland " 2005

rest of Sweden's economy, and many new companies open here every year.⁷⁵ In the year 2009, 9,588 new companies were established in Västra Götaland, which is 16 % of the total number of companies established in Sweden, with only Stockholm län exceeding this figure, with 18,071 new companies.⁷⁶ As can be seen in appendix two, the unemployment rate in the region has followed the same pattern as seen in Sweden for the last ten years⁷⁷.

Compared to the rest of the regions in Europe, Västra Götaland tops the ranking in the industry's investment in development and research⁷⁸. There is some variation within the region. The many municipalities have faced different rates of unemployment and welfare in the past ten years.

The region of Västra Götaland has also a strong position in the country because of its geographical position and its cooperation with other Swedish and foreign regions. Figure 6.2 shows the GDP per capita in VGR in relation to the other regions in the study.

Figure 6.2.



6.3.2 Political structure

When the region of Västra Götaland was formed it was also given the responsibility for regional growth and development issues that had earlier been controlled by the Government through the county administrative boards. This implied greater influence over regional social issues, for example infrastructure and the environment. Although it is difficult to assign causal direction, the region's level of high impartiality and social trust in political institutions may have a connection to its fairly unique party system, marked by cross-bloc cooperation. The region is governed by a council constituting a coalition of three parties, the Social Democratic party (S), the Center party (C) and the Liberal party (Folkpartiet). This could also be the reason for the effectiveness in the region according to the expert dealing in regional issues. A coalition avoids having to fight between blocks; the politicians have space to run the region and care more about services than who wins a debate. This in turn creates an atmosphere where not only decisions are made but also where decisions are more easily implemented.

⁷⁵ Statistiska Centralbyrån (SCB)

⁷⁶ Tillväxtanalys

⁷⁷ Statistiska Centralbyrån (SCB)

⁷⁸ Fakta & Analys 2008:1

However, the coalition has not always looked like it does today. During a previous mandate period (1998-2002) the first months began with a center-left majority, comprised of S, the Left party (V) and the Green party (Mp). This government fell and was succeeded by a new center-right majority, the Moderate party (M), the Christian Democratic Party (Kd), the Center party (C), and the Liberal party (Fp). This coalition also fell, in 2001. At this point, three parties went over bloc-lines to form a third, more centrist coalition: S, C and Fp. This majority constellation remained the same during the following two mandate periods (2002-2006 and 2006-2010)⁷⁹.

The council of the region is the highest decision-making body in Västra Götaland and is comprised of 149 members that are elected every four years by the inhabitants of the region. Most of the representatives devote their spare time to politics while having full time jobs: this is particularly true for representatives at the regional level and changes once an individual is elected to the Parliament. The region is divided into four municipality associations which in turn are divided into smaller municipalities. The municipalities are governed by the municipal council.

6.3.3 Social trust in society and universal programmes

QoG has a strong relationship with levels of social trust and confidence in public institutions. The opinions of the experts with regard to impartiality in the provision of public services in the sectors of health care and education were largely consensual. It is perceived that political influence does not matter; it does not affect the impartiality of the institutions. One of the health care experts adds “from the QoG aspect this could be very good, because even if I know that a patient has a high position or is influential he normally does not receive different treatment.”

It is argued by the experts, however, that economic influence can potentially play a role in greater access to services but bribing one's way forward would not. As concerns economic influence, the expert at the City Council points to the private medical sector; if a person has the financial means and wants an operation urgently, he can turn to private health care instead of wasting his time bribing someone in the public sector. Nonetheless, every system has its black sheep, which has been proven by the latest corruption scandal in Gothenburg.

“Personally I have a very high opinion of the health care service provided by the VGR.” The provision of health care is fairer than in some other regions, an example being general rules, such as identifying a foetuses' gender. VGR has a general rule that 'no one finds out the gender'. Everybody is treated according to that rule. Another reason for impartiality is the level of salaries. Salaries in the Västra Götaland region are based on a uniform salary bracket. This is a unique feature in VGR that is unlike other regions, where negotiation can earn one a higher salary, resulting in the best negotiator pocketing the higher salary, and not necessarily the best merited one, creating a wider gap between those at the lower level and those that negotiated better.

6.4. Reasons for QoG in the Region

Based on the opinions of the experts surveyed and on several secondary sources of information about the region, this section intends to elucidate several of the key

⁷⁹ E-mail correspondence on the 28th May 2010 with Bodil Warolin, administrative director of the region of Västra Götaland.

contributing factors that have helped to lead VGR to a relatively high level of QoG relative to other EU regions.

6.4.1 Regional Autonomy – Västra Götalands region

The senior lecturer at Gothenburg University points out that VGR exists as a direct impact of EU membership. The VGR was initiated in a test pilot project to combine and centralize 49 separate municipalities. Out of these, the legal entities of Goteborg and Bohuslan, Skaraborgs län, and Alvsborgs län all converged to form one single legal entity in January 1998. This was a result of Sweden's participation in EU's regionalism project, a part of the EU cohesion policy. On the 28th of January 2009 the Swedish Parliament decided to convert the VGR pilot project into a permanent feature⁸⁰. The reason for creating a region in Västra Götaland was to unify the educational and health care systems under regional command, decentralizing from the central government in order to improve democracy, efficiency and viability from an administrative perspective⁸¹. The advantage of VGR as a region is that it creates a stronger platform than would scattered municipalities, making it easier to influence EU decisions⁸².

The region of Västra Götaland (VGR) has qualified for the regional competitiveness and employment goal as well as that of territorial cooperation, i.e. two of the objectives, for the period 2007-2013. To ensure regional commitment, each project that falls under the cohesion policy funds must be co-financed by the local partners; the cohesion fund will sponsor only 75% of the projects. The over-riding responsibility of the structural funds is with DG Region in the European Commission, although the administration and management of the regional programmes is decentralized to the Member States (MS). EU has common guidelines for how the funds are to be used in each MS from which each MS devises national strategies. The regional EU projects are then formed from these. In VGR the EU programmes are coordinated and executed together with the growth programme, and many of them are co-financed by the VGR. VGR is also the host organization for the regional structural fund partnership in West Sweden and manages its secretariat.

The impression received from the majority of the experts is that regional autonomy improves quality of government because collaboration within the region eases things. An example that was given is that of Vårdval (the right to choose health care provider): collaboration has resulted in patients receiving health care more quickly and have the choice to turn to other hospitals in the region, thus giving patients more options. The same applies to Skolval (school choice) where students are now permitted to apply to any school within the region, even if it is outside their own locality. However, one health care expert forwarded a criticism that more service providers do not necessarily ensure better service. An example is that of Vårdval, where the health care sector has guaranteed more service providers but not the service provided. Further, the Gothenburg City Council expert believes regional autonomy will help improve QoG because of the close proximity principle: a person cares more about things that he or she is close to. The close proximity further facilitates access: “It is easier and closer. One doesn’t have to talk to Brussels or Stockholm but can go directly to the person in charge.”

⁸⁰ Konstitutionsutskottets betänkande 2009/10:KU37

⁸¹ VÄSTRA GÖTALANDSREGIONEN OCH DET REGIONALA SJÄLVSTYRET (2005)

⁸²

However, regional autonomy has been criticized as something that would foster corruption. According to an expert based in a rural setting, the region is very centralized, reducing the say of the smaller parts in the region, such as Mariestad, relative to the center, Gothenburg. An observer of public services differs on this position, giving the example of VGR's active effort to spread out county operations to smaller towns such as Mariestad and Vänersborg in order to avoid centrality in Gothenburg.

The formation of the VGR was to be supported by a new regional tax, while each municipality within the region retained its right to its old system of tax collection. The regional tax is used to support regional – VGR - activity while the municipal taxes are diverted according to the discretion of each municipality. The separate taxes and budgets of the county of VGR and the municipalities in the county have been a cause of inefficiency in the provision of health care. “The county and municipalities differ in the sense that the municipalities stand under the state. They have a separate budget and we notice that a lot because municipalities and the county of VGR have an ongoing conflict when it comes to the allocation of patients. Because we bounce them around. Its quite a sad thing that they are so separate actually, its a problem. If we (the county) have them then VGR pays, if on the other hand the municipality has them, then they pay,” says one health care expert.

6.4.2 Public Sector Norms, Recruitment & Hiring process

A Weberian-type bureaucracy has once again become a potentially usable model for increasing efficiency in organizations and promoting quality of government. Evans and Rauch (1999) argue that Weberian characteristics considerably improve prospects for economic growth⁸³. For example, Dahlström, Lapuente, and Teorell (2009) conclude that meritocratic recruitment reduces corruption in the public sector⁸⁴. Sweden exemplifies an open and professionalized bureaucratic structure, while in countries such as Spain, Italy and Greece the bureaucracy is closed and politicized⁸⁵. Thus VGR, like Sweden on the whole, is characterized by a relatively open and impartial bureaucracy relative to other regions in Europe.

This report has found that contacts play a significant role in obtaining employment for many public positions in the region. The ostensible conclusion might be that meritocracy and professionalism are lacking; however the experts explain that people in the region are not employed only according to their contacts: the contact network instead functions as a lead in the hiring process. All the experts emphasized that contacts play a

⁸³ Evans and Rauch (1999) “Bureaucracy and Growth: A Cross-National Analysis of the Effects of “Weberian” State Structures on Economic Growth”

⁸⁴ Dahlström, Lapuente, and Teorell (2009) At the same time their analysis shows that other employment features such as career stability in the public sector and whether or not the public employees’ salaries are competitive do not have a major impact on corruption. The authors argue that bureaucrats and politics are receptive to different chains of accountability and that this difference curbs corruption. “...weakening the ties between politicians and bureaucrats diminishes the possibility of collusion and increases the chances for both types to reveal corrupt actions taken by the other type.” When the bureaucracy is professionalized and bureaucrats are recruited according to skills and merit, the interest of bureaucrats and politicians separate.

⁸⁵ Dahlström, Lapuente, and Teorell (2010) “Dimensions of Bureaucracy A Cross-National Dataset on the Structure and Behavior of Public Administration”

role once merits are fulfilled. If an employer knows the person being employed, the employment process can go faster and be more effective. However, in some cases, such as employment at the universities in the region in a full-time teaching or research capacity, the hiring decisions are done mainly out of the hands of the heads of the departments that eventually hire a given candidate. In these cases, impartiality and meritocracy are emphasized as primary, in that outside experts ('sakkunniga') are given authority to rank candidates according to their qualifications and make recommendations to the department, which the chair is strongly advised to consider before hiring a candidate. All recommendations furthermore are made transparent to the public. This process usually takes about one year. This may be the exception rather than the rule, however in public sector hiring, but important to mention nonetheless.

Nevertheless, in some cases, a job in the public sector could be achieved in 30 seconds could take a month, or even over a year in the case of higher education. It all depends on whether or not you have contacts, explains one of the experts. Contacts are important for getting a job in the region of Västra Götaland. The reason is that an employer rather employs someone he/she knows works well than someone who seems to work well on paper. The City Council expert elaborates, "Jobs in the public service normally demand previous experience within public service, which is one reason such careers end up being 'life time' jobs." The experts all claim that contacts matter in both directions. Higher positions on the other hand are publicly advertised due to the more complex task of finding the right person. However, the experts explain that contacts, especially political ones, matter even regarding high level employment, despite the transparency of the advertised position, "...it is important that you are in the right circles and that you have done the right things."

6.4.2.1 Impartiality in the public sector

The importance of impartiality of institutions is strongly related to the region's high level of quality of government. Sweden's impartiality is rooted in its system through various mechanisms: universal welfare programmes, social equality, social trust and state organs that ensure that institutions remain impartial – such as the Discrimination Ombudsman. The importance of universal programmes has been an issue of central focus in Sweden; it is a matter that, according to Furniss and Tilton, even politicians do not meddle with.

*"...the political parties may argue about the details of financing, coverage, and expansion of services, but that the state has an obligation to secure its citizens against the avoidable distress of sickness, accident, old age, inadequate housing and loss of income, no party is rash enough to deny."*⁸⁶

It would be difficult to adequately list all the universal programmes available in Sweden⁸⁷. A few are listed here: universal health care (the national health care guarantee), free universal education, free dental care (up to the age of 21), free lunches at school and children allowances. Comparatively, in the EU, Sweden is one of the

⁸⁶ Furniss and Tilton p 123

⁸⁷ "...as Joseph Board has observed, 'it would scarcely be possible to cover adequately the range and detail of social welfare programmes in Sweden.'" p. 28

countries with the most generous overall child benefit package that delivers most if not all its value as a non income related child benefit⁸⁸.

Equal access for all citizens has helped enhance the impartiality of state institutions such as the health care sector and the education sector. One expert specifically mentions the national health care guarantee as a source of impartiality, because every citizen has equal access to health care regardless of where one stands on the economic ladder. By establishing universal social programmes, governments send signals to its citizens that are important for the creation of social trust⁸⁹. According to Rothstein the policies most effective in reducing inequalities are universal social policies. These policies stem from our sense of generalized trust – and in turn help to create a more trusting society.

The experts point to social trust as a potential reason for the high QoG in VGR. People feel that they trust the services and cooperation between companies and the public sector: that is, you mostly get what you ask for. “We have a relatively high morale, that people working have a high moral. You don’t want to swindle people.” Another reason given is that of the size of VGR; it is not a very large region but rather relatively small, and people feel strongly about doing a good job. “Because if people lose trust in me I will also lose what I am performing, my job.” Another vivid example of a universal welfare programme is handicap allowances. “...in Sweden, all handicapped persons have the right to all required assistance and no means test is involved. The system gives the handicapped person the possibility of getting the assistance he needs without an upper limit on costs”⁹⁰. The fact that it is not means tested increases social trust, effectively increasing the citizens’ trust in the government and the state institutions. Universal programmes that cater to the whole (or very broad sections) of society, such as we find in the Scandinavian countries especially, lead to a greater sense of social solidarity which spurs generalized trust and leads in turn to more equality⁹¹.

One challenge to the notion of ‘impartiality for all’ is of course obtaining public services when a citizen lacks a strong command of the language. In this case, the experts feel that the ability to express oneself is imperative, especially in the health care sector; the lack of that ability can affect the impartiality of service provided as the needs are not fully comprehended. A health care expert highlights active steps that are taken in health care to maintain impartiality. With regard to language barriers, to facilitate the process of providing care, the use of interpreters is extensive. One service present in emergency rooms is telephone interpreters, available from TOLKCENTRALEN (Interpreter Center). The patient, doctor and interpreter all participate in a conference call to be able to communicate the necessary information. If the visit is one that has been made by appointment, an interpreter is invited to be there in person.

However, the language barrier remains a source of many problems. A criticism raised by one of the experts is that the health care system is particularly biased in regard to people that are considered ‘paper-less’ (e.g. lacking documents from the country of origin): people that have no legal status in Sweden. This is an issue that is avidly debated in Gothenburg, the capital of Västra Götaland region. It is explained that the national health care guarantee is not applicable to them nor is that of free medical care. They fall

⁸⁸ Bradshaw and Finch

⁸⁹ Rothstein

⁹⁰ Furniss and Tilton, pg 129

⁹¹ Rothstein (2006)

under the legal clause that falls under emergency treatment “vård som inte kan anstå” (treatment that cannot wait). The law allows room for interpretation but the patient is later billed very high amounts for the medical care. The expert continues, “The EU has criticized Sweden for being cruel, this policy has caused underground clinics to crop up all over Gothenburg, and so in that area the VGR has not done much to improve impartiality.”

6.4.2.2 Equality in the public sector⁹²

Equality is a cornerstone of the Swedish society. It applies to equality in all aspects, social equality as well as gender equality. The presence of substantial social equality is evidenced through “the extent to which traditional class barriers have been razed”⁹³ making Sweden an almost single-class society.

The cultural importance of equality and its importance in the Swedish public sector, and its society in general, is reflected by the fact that there are two specific words for it in Swedish: jämlikhet, for equality in general, and jämställdhet, for gender equality.

The idea of equality in the public sector is seen in several overlapping areas. First, the Swedish concept of jämlikhet (equality in general) can be seen in the provision of its universal welfare programmes. Second, it is seen in the way colleagues and co-workers relate to one another - the fact that everyone in Sweden is on a first name basis; addressing someone by his or her professional title is rare. The French economist Jean Parent has captured still another aspect of this social equality in his striking expression 'equality, before the risk of death.' According to Bache, he means that the factors that make for a high life expectancy – good housing, secure employment, adequate living conditions, and the like – are distributed relatively equally throughout the society...” Finally, there is a strong emphasis on gender equality. This began as a political concept in the 1970s and has remained at the forefront of all social issues ranging from gender equality at the workplace to gender equality in the educational sector. There has been a jämställdhet's minister since 1954, which now falls under the Integration and Gender Equality ministry. Sweden is a world leader in gender equality according to the Global Gender Gap Report 2008. The gender equality ombudsman was first established in 1980, which recently merged with the Equality Ombudsman department, which came into effect in 2009.

6.4.2.3 The Equality Ombudsmen

This was established for the purpose of bringing all anti discrimination laws under one umbrella. It is run under the Integration and Gender Equality Department with the main purpose of ensuring that anti discrimination laws are followed. The laws encompass matters regarding the following types of discrimination: gender, ethnic, sexual orientation, handicap, expression, religion and age. The equality ombudsman was brought into force on 1 January 2009, combining the ombudsman for gender equality and for

⁹² <http://www.sweden.se/eng/Home/Work/Life-in-Sweden/Equality-in-Sweden/>

⁹³ Furniss and Tilton pg 140

ethnic discrimination and the handicap ombudsman and ombudsman for sexual orientation. The anti discrimination law was simultaneously enforced⁹⁴.

6.4.3 Transparency and the Media

In accordance with the theory that freedom of press correlates with quality of government⁹⁵, the majority of the experts in the region argue freedom of press to be greater today than ten years ago. The transparency in the region is also greater than in other European countries as it is easier to extract public documents, explain the experts from two of the major newspapers in the region. The availability has also increased over time as a result of new technology that makes it easier to get hold of documents. In addition Sweden's legislation makes it possible for journalists to appeal if someone would deny access.

However, the journalist from Skövde municipality argues that transparency differs from region to municipality. The region is more open than the municipality as the municipality classifies most of the public documents as work material. He explains that this is due to the more general decisions on the regional level, "...decisions in the municipalities affect people more. It gets more sensitive."

However, technology and strong laws are not sufficient to access public documents. The essential feature for the journalist is to have contacts. It is important to have the right channels in, says Mr. Ehn. He explains how civil servants often call him and tell him where and when to search for a certain document. Otherwise, he says, it would be very difficult to know where to search. Further, contacts in the media are important, and this is also the case when scandals are revealed. The exposure of civil servants and politicians has to be done carefully. By attacking a potential source of information, the journalist could have problems keeping contact with the civil servant or politician after the scandal.

The expert in public administration also confirms this by explaining how scandals are often handled by journalists. If the scandal takes place in a smaller municipality, it is named after the municipality, but when a known politician is found committing a fault, the scandal often takes the name of the politician. The latter are more common at the regional or national level and it makes it possible for the politician to defend her/himself, while the politician in the smaller municipality often does not have this opportunity. In order for newspapers in the region to have a meaningful role when they hold politicians responsible it is of importance that newspapers remain independent, which according to Starr (2009) is often easier when they are financed by advertising than by the state.⁹⁶

However the majority of the experts disagree. Media in the region of Västra Götaland is independent. Only the one expert argues that there are too few actors. State-owned media is more reliable than private-owned media, according to Rosen, as there are other incentives than making money. Ehn also shares this opinion. The experts believe that this issue depends more on the journalist than on the financing.

⁹⁴ <http://www.sweden.gov.se/sb/d/11043/a/111986>

⁹⁵ Charron (2009)

⁹⁶ Starr (2009)

6.4.3.1 Newspapers' importance in increasing the quality of government in the region

One potential institutional factor affecting quality of government in the region is the quality of printed media. Many scholars have stressed the role of freedom of press and newspaper circulation as factors that curb corruption.

Due to the change in the financing of news together with new technology (internet media which is taking over advertisement), newspapers are at risk of losing their role and power as a controlling body of the government, argues Starr. Starr continues that fewer people read news in local newspaper today and that the fragmented emerging media is lacking monitoring skills. This in turn implies a risk for increased corruption⁹⁷.

6.4.3.2 Example Case: Corruption scandal in Gothenburg, VGR, Spring 2010

The media's role as "the people's eye on the state", as put by Starr (2009), is aptly demonstrated by a recent exposure of corruption within the municipality of Gothenburg's organizations. This example speaks for the effectiveness of the media in VGR (and in Sweden in general) and was carried out by the investigative television programme Uppdraggranskning.¹ The exposé was broadcast on national television.

The exposure has highlighted the close working of the television media and the press. The press has been responsible for the follow up and close scrutiny of the municipality's governance mechanism. The corruption suspicion was first reported in 2006 through the internal reporting system. However, as the investigation was inconclusive, it was shut down.² The media is responsible for the instigation of the reopening of the matter, reinforcing its role as government watchdog.

The importance of the scandal is shown in two main aspects, first as a reinforcement of the watchdog role played by the newspapers. Both regional and national newspapers, such as GP and Dagens Nyheter, have been closely following the inquiry process on an almost daily basis. Secondly, a significant factor that has been highlighted in the process is the effectiveness of the judiciary and law enforcement systems. The scandal has also highlighted the importance of the National Anti-Corruption Unit. The National Anti-Corruption Unit is henceforth handling the investigation in collaboration with the state prosecutor, Nils-Eric Shultz. An interesting observation is that the scandal took approximately four years to be thoroughly investigated by the authorities. However, as can be seen in the timeline below, the speed with which the corruption scandal is being brought to justice is expeditious.

28th April 2010 – Uppdraggranskning SVT 1

29th April

- All printed media follow up the story
- Corruption/bribery reported to the National Anti-Corruption Unit (run by the National Prosecution Authorities)
- Preliminary investigation initiated (first stage of the prosecution process)

⁹⁷ Starr (2009)

30th April 2010

- Annelie Hulthen called a meeting of all municipality owned companies to ensure that all is according to the book.⁴
- Göteborgs stad is now strengthening its control mechanisms in all its municipality housing associations after the corruption charges against Familjebostäder (one of the municipality-owned housing associations). Control function being established with external auditor ensuring that the employees follow the rules for purchasing and at negotiation stages.

10th May

- The City Council's chief is considered to be partial.
- DA declared himself partial.
- Ernst and Young (external auditor) reports on issue.

24th May 2010

- Civil servant Ragnhild Andersson idrotts- och föreningsförvaltningens chef (sports and cooperatives departmental chief) fired due to the criticism regarding the disappearance of documentation of certain building projects, that she did not file and register a letter that pinpointed the corruption suspects and because of her decision to hire security guards to deny access to the media during a municipality board meeting (which is supposed to be OPEN to the public as well as the media).

11th June 2010

- The state prosecutor, Nils-Eric Schultz, at the National Anti-Corruption Unit announces that, within two to three weeks, the suspects will be served for criminal offences of grave corruption, in order for them to gain access to a defence attorney.

The exposure has further demonstrated the 'voice of the citizen' as the television programme investigated a leak that was reported to them by a citizen. The leak in itself is evidence of citizens voicing complaints. Within the course of two months the case has gone to the anti-competition authorities and the audit department. The accused civil servants are being taken to trial. It is currently hoped that the trial results will be open to the public during the summer months.

6.4.4 Whistle-blowing - the institution required to decrease corruption?

In Sweden and the region of Västra Götaland the protection against any repercussions when disclosure is made for the whistleblower is limited to public sector employees. It is easier to dismiss an employee in the private sector if the employer feels that what is reported has damaged the organization⁹⁸. This has become a problem when outsourcing (contracting out) activities from the public to the private sector. This debate is still active in Sweden.

The legal protection is strong in Sweden. When a citizen informs the press, she or he has the right to remain anonymous. This right of expression is included in the Swedish

⁹⁸ Utvecklingsrådet för den statliga sektorn (2002)

constitution⁹⁹. The public employer is not permitted to do research into who reported the irregularity¹⁰⁰. There is a significant difference between the health care sector and other welfare sectors. Public servants in the health sector are duty bound; it is not a choice that they can opt out of but something the MUST do. Public servants in the education sector however retain their RIGHT to report.

Although whistle-blower protection is good in Sweden the experts present different views of how whistle-blowing is perceived. When wrongdoing is committed in an organization and discovered, the first step is not to go outside the organization. Instead the internal reporting system will first be exhausted before involving an external actor. The complaint goes to the manager, for whom an explanation is provided as to what is wrong. Therefore, when the manager takes the complaints seriously and tries to fix the problem, the number of employees who blow the whistle will probably decrease. The experts concurred that before utilizing the internal grievance system it is important to gain the support of colleagues so that the issue is seen by the management as a concrete one concerning more than one person.

The work environment is essential for achieving this. With an open environment where the employees are informed about how to proceed when wrong-doing is discovered, the problem can be solved internally. Another reason why Swedes often do not report externally is culture. “In the end, Swedes as a people do not complain and tend to be quiet and it takes a long time before they actually speak up,” says the journalist at the Gothenburg newspaper, Goteborgs-Posten.

Furthermore, a reason for not reporting, according to the experts is the fear of repercussions, i.e. social punishment¹⁰¹. The experts stress the culture at a workplace. They argue that the newer employees are more likely to blow the whistle as they are not as immersed in the organizational culture. However a new employee’s primary priority tends to be acceptance in the organization. Therefore, even if an individual would normally report a fault, he or she remains quiet due to pressure from other colleagues. The feeling of being a part of the team outweighs the feeling of duty to report and the social punishment of being bullied is much too great. The initial repercussions could be serious but, during the process, the employee will get support. Hence, culture plays a vital role in what is socially right or wrong.

One of the health care experts in the region explains the negative impact reporting to the media can have as the doctor is bound by patient-doctor confidentiality. “You only find one side reported and I think doctors today are really afraid of being hung out in media and it affects how you work in a negative way.” Liljencrantz also stresses the importance of seniority in health care. A junior doctor turns to the department chief for help; reporting her boss for committing a fault would potentially jeopardize the patient’s health care.

Vandekerckhove’s theory of interests¹⁰² corresponds with the experts’ description of the procedure. The interest of the employee is being weighed against the interest of the organization. If the employee notices that the organization will be damaged, his or her

⁹⁹ Utvecklingsrådet för den statliga sektorn (2002)

¹⁰⁰ Utvecklingsrådet för den statliga sektorn (2002)

¹⁰¹ According to the Group of States against Corruption (GRECO), the reason why employees do not report when suspecting corruption is the fear of repercussion at work.

¹⁰² Vandekerckhove (2006)

coworkers will also be damaged and the outcome could be social exclusion. If instead the employee sees the result as a win-win situation it will be easier for him/her to report the problem.

Other control systems in Sweden mentioned by the experts are revision, supervision and economic systems which help to discover corruption. The monitoring bodies are Socialstyrelsen, which is the governmental organization that handles complaints, and hälso och sjukvårdens ansvarsnämnd (HSAN) in the health care sector conducts investigations when something is reported. Justieombudsman, Riksrevisionen and Transparency International Sverige¹⁰³ work against corruption. The region is also controlled by the Swedish Competition Authorities.

However, some do blow the whistle. Often in reorganizations many citizens report wrongdoing by phone calls to a newspaper wanting to be anonymous, says Ehn, journalist at the Skövde newspaper (Skaraborgs Allehanda). This corresponds with Johnson's theory on conditions for whistleblowing to occur¹⁰⁴. Ehn believes that the contact surge when citizens have confidence in journalists is due to the strong protection for the messenger that exists in Sweden. The Gothenburg newspaper also receives many letters with complaints from citizens, explains Mrs. Haldesten. Still, the experts claim that very few employees actually dare to go outside the workplace to report irregularities.

6.4.5 EU's impact on the region of Västra Götaland

Sweden's membership in the EU (since January 1995) has brought about many changes. One of the foremost changes was the revision of the Swedish constitution through which the Riksdag transferred some of its decision-making powers to the first pillar of the EU, effectively causing EU legislation to be superior to that of national law. When a European directive is issued, all member states are to incorporate these into their legislation¹⁰⁵. Another major change was the amendment to the Freedom of Press Act, allowing non Swedish citizens' ownership of Swedish newspapers¹⁰⁶.

Sweden is a unitary state and is categorized as a "compound polity" where "power, influence and voice are diffused through multiple levels and modes of governance"¹⁰⁷. According to Bache the regional level in Sweden has traditionally been overshadowed by national and local levels and has operated as "a state instrument of control and administration" (Olsson and Astrom 1999). The EU has been an important force in the process of regional self-government.

The general consensus of the experts is that membership in the EU has had a positive influence. The expert at the city council explains that everything now has an EU perspective and that cooperation at all levels has increased. In general all agreed that the educational sector has improved, an example given is that of the increased institutional exchanges. Further there is the advantage of the Bologna Process that has enabled more

¹⁰³ Transparency International in Sweden is an NGO that has an annual initiative to encourage whistle blowing. Every year it appoints a winner of the whistle-blower prize. The following people have received the award: 2007 Åsa Sveds –journalist at Gotland, 2008 Christer Hansson –local glassblower exposing the European glass cartel, 2009 Ara Abrahamien –Elite sportsman exposing corruption and bringing more transparency to elite sport. <http://www.transparency-se.org/Varlden.html>

¹⁰⁴ Johnson (2003)

¹⁰⁵ Craig and De Burca

¹⁰⁶ Sweden in the EU, fact sheet no 4 *January 2008*, EU Upplysningen Sveriges Riksdag.

¹⁰⁷ pg. 55 Bache, Ian *Europeanization and multilevel governance 2008*

exchange programmes to take place within the EU. EU membership has also further reinforced competition; everyone has been able to bid for a contract, varying from building roads to contracts regarding schools. Public procurement legislation has forced the companies to be more efficient in the face of competition. It has caused the STADSSSTODSREGLER (English - state aid regulations) to be altered, allowing more service providers into the market; now the best bidder will receive the contract instead of the “local company due to old habit.” It results in positive consequences both with regard to the institutions as well as for the users of these public services. To supervise the process, the Swedish Competition Authorities act as the state's watchdog to ensure that companies and municipalities comply to the new rules. According to Haldesten, “in general this is a positive improvement as it increases entrepreneurship and utilization of the tax payers’ money. At present there is more bang for your buck, we have been forced to think along new lines and be more creative.” However, one expert heavily criticizes this legislation. Local companies are losing business due to contracts being awarded outside of the country, e.g. in Hamburg, putting them out of business and affecting the local regional economy. Furthermore, a negative impact pinpointed is that of “privatization stress.”

According to one expert, the coming five years will increase administration which could result in an overall deterioration as processes would effectively take longer. One example is that of purchasing; it requires a great deal of administration and is complex. While it may be more legally secure, ensuring higher quality, it may not necessarily be more effective.

6.5. Conclusion

The report found a number of reasons for the high quality of government in the region of Västra Götaland. The protection for the whistle-blower is strong in Västra Götaland. However none of our experts would first contact an external actor such as media if he or she were to discover that something was wrong at their workplace. Instead the first stage is to utilize the internal reporting system. The support of colleagues is further mentioned as an important factor in changing a bad situation. However, if an internal reporting system fails for some reason, the labour union functions as the watchdog for the employees rights, both as a moral and legal support for the employee. The union is explained as a source of stability and prevention against bad behaviour. Further, the labour union plays an important supervisory role during the hiring process.

An important difference is found between public employees. There is a difference between the health care system and other public offices; in health care, every employee is duty bound to report to Socialstyrelsen when if misconduct is discovered while public employees in all other sectors have the right to report, an option they can choose to exercise.

Another factor for high quality of government is the strong employment laws protecting the employee from unfair dismissal, improving stability for the employee. It is the case in the region that many of the employees starting a career in the public sector often stay. Thus, the stability factor does not create a potential risk for corruption but rather works as counterweight, as the employee does not have to be afraid of punishment when he or she reports wrongdoing.

The work climate is also essential for curbing corruption and achieving efficiency. When the work environment makes reporting, inside or outside the organization, accessible, it is very likely that faults will be discovered and dealt with. This kind of work environment is created as early as at the university level, and even high school, by promoting the kind of behaviour that makes it unacceptable to be inefficient at the future workplace. The media is an active watchdog that observes the state and enables the public voice to be heard and be channeled as a force to which the governance remains answerable.

Above all else, all the experts point to high levels of impartiality for all citizens as an underlying factor for the high QoG of the region. This impartiality stems from the equality that Sweden has attained through its universal services, stemming from the national level. This has ensured that all services are equally accessible in all regions, maintaining the impartiality principle in the institutions while allowing Västra Götaland region's decision-making powers with regard to the region's economic development and infrastructure. The universal welfare policies that have been in force have been supported through the tax income, creating the ground for equality in all realms in Sweden, effectively encouraging and reinforcing impartiality in the state's institutions.

The conclusion in this report is that some institutions can facilitate the achievement of quality of government. Such institutions include the protection of whistle-blowers, which in Sweden is called the "right to report", a strong labour union supporting the employee in the relation between employee and employer, a basic education encouraging efficiency, and an independent media. Furthermore, employment laws promoting hiring according to merit together with the principle of free access to public records are essential for preventing corruption and reaching good quality of government. An active and investigative media is an asset in increasing quality of government, with its role as representative of the public voice.

One of the most important ways that a country can increase its level of trust is to enact policies that will reduce the level of inequality¹⁰⁸. Such policies are conspicuous in the universal welfare programmes found in Sweden, forming the basis for increased social trust and equality. The reasons for this are that "universal programmes treat everyone in the same situation equally. Secondly because they are given without means-testing, universal programmes do not have to organize a large bureaucracy to decide who is eligible and who is not."

A strong recommendation would thus be to export this institution of universal welfare policies in order to increase QoG to a national level and to allow regions the responsibility for their economic development, and development in general. Future challenges that the region of Västra Götaland may face are that of a weakening labour union as well as a financial crisis in the region itself. More than 50% of the Swedish budget comes from exports.

Therefore, to maintain its high level of quality of government, the region must continue to create jobs for its inhabitants.

¹⁰⁸ Rothstein (2006)

7. Wallonie - NUTS 1 region (BE 3)

By Jonas Håkansson¹⁰⁹

7.1. Introduction

According to the results of the quality of government (QoG) quantitative survey conducted between December 2009 and February 2010, the Walloon Region showed a significantly weaker QoG index score than Flanders. The aim of this research is thus to investigate possible explanations for the relatively low QoG index score in the Walloon Region. The report is based on eight interviews with ten experts representing different public institutions or mechanisms of surveillance of public institutions¹¹⁰, in Namur, Liège and Brussels. The interviews were based on the common QoG questionnaire, and discussions covered three components of QoG, namely impartiality, quality and perception of corruption in three public services: education, healthcare and law enforcement.

The interviews were conducted in French and translated by the author. Quotations are used to give emphasis to certain explanations but no names are provided for the quotations¹¹¹. The experts were in agreement that the Walloon Region has a relatively weak QoG index score compared to Flanders, and the generally suggested explanation is the complexity of the public administration. Indeed, the competences are separated between the Federal, the Walloon Region, the French Community, the Provinces and the Communes, which negatively affects transparency, effectiveness and knowledge of "who is doing what". Moreover, the politicization of administrators, the manifold political scandals, and the lack of efficient anti-corruption measures, such as a whistle-blowing protection system¹¹², are factors that experts suggested could explain the weak QoG index score in the Region.

The report is structured as follows: section 2 gives information on facts and figures for the Walloon Region, which is compared to Flanders, Brussels and the average in the European Union 27 (EU-27). The level of regional autonomy and provincial responsibilities are also briefly outlined. Section 3 presents the investigation methodology along with an overview of how QoG has impacted the region. Section 4 contains the experts' perspectives on potential causes of QoG in the Walloon Region and research conducted by various scholars. Section 5 concludes the investigation and suggests some policy recommendations to enhance the quality of government in the Walloon Region.

7.2. The Region of Wallonie: Demographics

Five NUTS II provinces, Hainaut, Walloon Brabant, Namur, Liège and Luxembourg, are included in the Walloon Region. The French Community refers to

¹⁰⁹ MSc, University of Gothenburg

¹¹⁰ Such as Transparency International in Brussels.

¹¹¹ This was proposed by the author in the beginning of each interview, which the experts agreed upon.

¹¹² In 2005, the Flemish Region introduced a whistle-blowing protection system. In Wallonia, no Whistle-blowing system has been implemented so far. (Information from an expert, May 21, 2010).

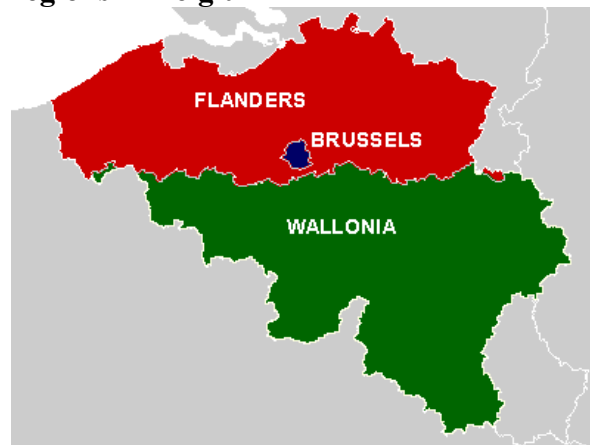
French speaking Belgian citizens and about 80% of the French-speaking Belgian citizens live in the Walloon Region. Brussels is the constitutional capital of the French Community, as well as for the Flemish Community. The capital of Wallonia is Namur, and the largest metropolitan area is Liège, while its most populous municipality is Charleroi. Most of Wallonia's major cities and two thirds of its population lie along the Sambre and Meuse Valley, the former industrial backbone of Belgium. The region has a population of approximately 3.4 million inhabitants, compared to Flanders with an approximately population of 6.2 million. In terms of density, the Walloon Region has 200 inhabitants *per square* km. The active workforce in the Walloon Region is approximately 1.425 million¹¹³. In surface area, the Walloon Region is a small region with 16,844 km² corresponding to less than 0.4% of the European Union's total surface.

Table 7.1. Population in selected cities

Town	Number of inhabitants (Wallonia)
Charleroi	201,300
Liège	187,000
Namur	107,178
Town	Number of inhabitants (Flanders)
Antwerp	466,484
Ghent	234,602
Bruges	116,500

According to the quantitative survey, which measured quality, impartiality and perception of corruption in three welfare services (education, health care and law enforcement services) the Walloon region is ranked 82nd among the 172 regions. Flanders is ranked 21st and Brussels Regional Capital is ranked 104th.

Figure 7.1. NUTS 1 Regions in Belgium



¹¹³ CESRW. Regards sur la Wallonie 2008. www.cesrw.be

7.2.1 Regional Autonomy: The structure of Belgium and the division of its competences

It is worth emphasizing the political and administrative relevance of the Walloon Region. Belgium is structured on three levels: the upper level comprises the Federal State, the Communities and the Regions; the middle level is occupied by the Provinces; and the lower level is that of the Communes. The division of power between the federal and the regional levels of government is attributed on an exclusive basis meaning that the central State cannot intervene in the regional sphere of competences and the federal government has only specific competences assigned to it, with all other competences allocated to regions and communities¹¹⁴.

Belgium has three Communities and three Regions; *Communities*, the French-speaking community (gathering the French-speakers who live in Wallonia and in Brussels), the Flemish community (bringing together the Dutch-speakers who live in Flanders and in Brussels) and the German-speaking community. As for the *Regions*, there is the Walloon Region, the Flemish Region¹¹⁵ and the Brussels Capital Region. Each community and Region, like the Federal State, has its own government and parliament and is entrusted with constitutionally assigned power and an autonomous administration. The country is further divided into ten provinces, and 589 communes^{116 117}. *Provinces* are autonomous and manage everything considered to be of provincial interest, such as education and the social and cultural infrastructure. *Communes* represent the local government tier closest to the citizens. The Communes have a great level of autonomy in managing local affairs, such as town planning, transport, environmental issues etc.

7.2.2 The tax system

The tax system is divided between federal tax revenues, in particular from personal income taxes (PIT) and the value-added tax (VAT)¹¹⁸, and the regions have control over indirect taxes, such as registration fees for housing, inheritance taxes, road fund tax etc. However, over the period (1990-2004), the regions have experienced different economic growth, on average 3.6% per year in Flanders compared with 2.2% per year in the Walloon Region and the French Speaking Community. The difference is mainly related to both a larger share and higher growth of personal income tax proceeds in Flanders, leading to a higher share in the amount distributed¹¹⁹. As a consequence, tax distribution goes from Flanders to the Walloon region and the French Speaking Community¹²⁰.

7.3. Indication of the Impact of QoG in the region.

¹¹⁴ In the 1970s Belgium undertook several constitutional reforms which transformed Belgium into a federalized state, formally recognized as such in 1993.

¹¹⁵ In 1980, Flanders decided to merge the competences of the Flemish Community with those of the Flemish Region. As a result, Flanders has one Flemish parliament, one Flemish Government and one public administration, competent for community and regional matters: www.flanders.be (2010-05-27)

¹¹⁶ In the Walloon Region there are five provinces and 262 communes.

¹¹⁷ ISMERI EUROPA – APPLICA. Feb 2010. Distribution of Competences in relation to Regional Development Policies in the Member States of the European Union. Contract No. 2008.CE.16.0.AT.040 / 2008.CE.16.CAT.014

¹¹⁸ These taxes are levied uniformly across the country

¹¹⁹ OECD Economic Survey: Belgium 2007

¹²⁰ <http://www.brusselsjournal.com/node/565>. (2010-08-06)

7.3.1 Walloon Regional economy

Wallonia has today a relatively diversified economy with some world leading companies in their specialized fields, including lime and limestone production, glass production, cyclotrons, aviation parts and chemicals. Industry and construction account for 20.4% of the GDP, services account for 77.3% of the GDP and agriculture accounts for only for 2.3% of the GDP¹²¹. The south of Wallonia, bordering Luxembourg, benefits from its neighbouring country's economic prosperity, with many Belgians working on the other side of the border, and the Ardennes area south of the Meuse River is a popular tourist destination for its nature. Between 2000 and 2004, foreign investments in the Walloon Region created 8,000 jobs. During the same period, the United States was the country that created the most jobs in the Walloon Region (23%), followed by France (14%), the United Kingdom and Germany (12% each) and other Belgian regions (14%)¹²². The most important export destinations are the Netherlands, Germany, France and the United Kingdom¹²³.

7.3.2 Macro-level statistics

Several salient macro-level statistics regarding the structural economy of the three NUTS 1 regions in Belgium reveal substantial within-country variance. The Walloon Region measures weaker GDP growth rate and weaker GDP per capita, and reports lower household budgets compared to the Flemish Region. The Walloon Region's inhabitants also have higher unemployment rates and a higher poverty risk rate compared to the Flemish Region. Below are presented some macro level statistics. The Walloon Region is compared with the two other NUTS 1 regions in Belgium, as well as among the EU27.

7.3.3.1 GDP growth rate and GDP per capita

During the past decade (from 1996 to 2006), the Walloon Region's GDP has been between 0.8% (at the lowest) in 2002 and 3.7% (at the highest) in 2000. During the period between (1996 to 2006), the average GDP growth rate for the Walloon Region was 1.89 % compared to Flanders 2.28% and Brussels Capital Region 2.46%; the average EU27 GDP growth rate was 2.39%¹²⁴. The Walloon Region's GDP growth reached 2.4% in 2007 and 1.9% in 2008¹²⁵.

Table 7.2. GDP growth (1996-2006)

	96	97	98	99	00	01	02	03	04	05	06
EU27	1,8	2,7	2,9	3,0	3,9	2,0	1,2	1,3	2,5	1,9	3,1
Belgium	1,3	3,5	1,6	3,5	3,7	0,8	1,5	1,0	2,9	1,7	2,8
Walloon Region	1,0	2,4	1,8	2,2	3,7	1,0	0,8	1,6	2,9	1,3	2,1
Flemish Region	1,1	4,5	1,5	3,8	3,8	0,3	1,2	1,0	3,1	1,5	3,3

¹²¹Office for foreign Investors. www.investinwallonia.be 2010-06-10

¹²²Office for foreign Investors. www.investinwallonia.be 2010-06-10

¹²³Office for foreign Investors. www.investinwallonia.be 2010-06-10

¹²⁴Author's calculation, data from CESRW. Regard sur la Wallonie 2008.

¹²⁵<http://economie.wallonie.be/02PolEco/EconomieWallonne/evolutionEconomique/EvolutionEconomique.htm>

Brussels C-R											
	2,3	2,1	1,8	4,4	3,5	1,9	3,4	0,3	2,5	2,7	2,2

Source CESRW. Regards sur la Wallonie 2008¹²⁶.

Compared to the average GDP per capita in the euro zone (=100), the Walloon Region has a significantly weaker GDP per capita than the Brussels Capital-Region and a noticeably weaker GDP per capita than the Flemish Region. In 2006, the Walloon Region reached a GDP per capita of 81% compared to the euro zone (=100), while Flanders reached a GDP per capita of 112.7% and Brussels Capital Region reached a GDP of 218.9%¹²⁷.

Table 7.3. GDP per capita (1996-2006)

	96	97	98	99	00	01	02	03	04	05	06
Euro Zone	100	100	100	100	100	100	100	100	100	100	100
Belgium	110	109,3	109	109	109,7	108,2	108,4	108,4	110,2	111,2	112,8
Walloon R	81,1	79,9	80,1	79,2	79,5	78,3	78	78,1	79,5	80,3	81
Flemish R	107,8	108,1	107,3	107,7	108,4	106,9	106,9	107,3	109,4	110,3	112,7
Brussels	225,4	220	219,9	221,4	222,5	220	220,7	217,6	218,9	220,8	218,9

Source CESRW. Regards sur la Wallonie 2008¹²⁸.

7.3.3.2 Employment rate

From 2002 to 2009, the employment rate¹²⁹ in the region was around 54.9% in 2002 (at the lowest) and 57.2 % in 2008 (at the highest). In 2009¹³⁰, the employment level in the Walloon Region was around 55.6 % compared to Flanders' 65.5% and Brussels Capital Region's 55.2 %. The total employment rate in Belgium was 61.5% in 2009. Regarding employment levels among young workers, employment in the Walloon Region in 2007 was 23.1%, compared to 31.5% in Flanders and 37.1% in the EU-27¹³¹.

7.3.3.3 Unemployment rate

The level of unemployment is defined as the percentage of unemployed persons among the active population (which regroups the active population and the unemployed). The Walloon Region has a structurally higher percentage of unemployment than Flanders. In 2009, the percentage of unemployment in the Walloon Region was 11% compared to 5% in Flanders. However, the unemployment percentage in the Brussels Capital Region is far above the two other regions, and reached rates as high as 15.6% in 2009. The total

¹²⁶ Eurostat, ICN, Calculs CESRW

¹²⁷ Source CESRW. Regards sur la Wallonie 2008. Eurostat, ICN, Calculs CESRW

¹²⁸ Eurostat, ICN, Calculs CESRW

¹²⁹ The employment rate is defined as the proportion of persons between 15 and 64 years old who work.

¹³⁰ The average of the first three quarters in 2009. Rapport 2009. Evolution économique et financière. Bank National de Belgique

¹³¹ The young employment level is defined as the individuals between 15 and 25 years old who work.

unemployment rate in Belgium was 7.9% in 2009¹³². Unemployment among young workers in the Walloon Region and Brussels Capital Region both reached very high rates, 27.8% and 34.4%, respectively, in 2007. The average unemployment among young workers in the EU-27 during 2007 was 15.6% and in Flanders 11.7%.

7.3.3.4 Household budgets

According to the survey of household budgets conducted in 2007 by SPF economy (DGSIE)¹³³, the data from the survey indicate that there is an important difference concerning household budgets between the regions. In 2007, the average Walloon household had a budget of 35,530€ compared to Flanders' 38,726€ and Brussels' 33,965€. The average Belgian household budget was 36,835€.

7.3.3.5 Poverty risk

The European survey of income and living conditions (EU-SILC 2007)¹³⁴ shows that almost one-fifth (18.8%) of the population in the Walloon Region lives under the poverty level¹³⁵. The regional disparity is significant. In Flanders, the poverty risk rate is 10.9% while it is 15.2% for the average Belgian.

7.3.4 Impartiality, quality and corruption in acquiring public services

7.3.4.1 Impartiality in the public services

The experts reported that the social system in the Walloon Region is well developed. However, experts gave various examples where the perception of impartiality could have been damaged. One example was the policy of school enrollment, based on a "first-come-first-served" basis (enrollment decree)¹³⁶. Registration was done in person on a first-come-first-served basis and the policy set a common date for all schools to start registration. However, the visible consequences of the policy were day-long queues at many "popular" schools and few people at the less popular schools. One year later, in 2008, the "first-come-first-served" principle was dropped and replaced by a combination of community-wide priorities, school-set quotas for different priority categories, and random priorities for pupils belonging to the same quota class. Experts explained that the new system functions better but that the failure of the "first-come first-served" policy could have damaged the perception of impartiality.

Moreover, one expert explained that every minister cabinet in Belgium has a social secretary with administrative personnel that provide personal favours and social services to citizens. However, the expert emphasized that this system is not impartial and, with the right connections in the social secretary, favours such as finding a good job could be used¹³⁷.

Another concern mentioned by the experts had to do with linguistic discrimination.

¹³² Rapport 2009. Evolution économique et financière. Bank National de Belgique

¹³³ Service Public Federal Economie, PME, Classes moyennes Et Entergie. Direction générale statistique et information économique. Information from, Ragard sur la Wallonie 2009. www.cesrw.be

¹³⁴ Ragard sur la Wallonie 2009. www.cesrw.be

¹³⁵ The poverty risk rate corresponds to 60% of the average national income.

¹³⁶ The policy was implemented in 2007.

¹³⁷ Information from an interviewee May 21, 2010. However, no secondary sources have been found to check the information.

For instance, there were concerns about the Flemish government's adoption of a “wooncode”, a housing code that reserves access to social housing for tenants who either speak Dutch, or commit themselves to learning the language. The existence of linguistic discrimination and the emergence of racism between the two main communities were, according to some experts, worrisome. This affects the Flemish people as well, who, in certain hospitals in the French Community, need to be bilingual and thus can also be regarded as linguistically discriminated¹³⁸.

7.3.4.2 Quality in public services: education

The communities are responsible for education in Belgium. It is thus possible to distinguish between the performance of the two communities, the Walloon Community and the Flemish Community¹³⁹. The findings of the OECD's Program for International Student Assessment (P.I.S.A.) from 2006 shows that 15-year-old pupils in the French Community are approximately 50 points weaker (with an average score of 490.2 points) compared to average 15-year-old pupils in the Flemish Community with (538.3 points).

Internationally, similar to the regional QoG index among EU regions, the Flemish community placed among the top OECD countries while the French community ranked an intermediate place.

Table 7.4. Average Score by community OECD PISA 2006

Community	Reading	Mathematics	Science	Average
French	480,8 (105.1)	499.4 (99.3)	490.5 (100.6)	490.2 (95.9)
Flemish	529.3 (97.7)	550.2 (93.3)	535.5 (87.6)	538.3 (88.5)
German	505.1 (99.6)	520.2 (93.0)	520.6 (94.8)	515.3 (90.4)
Belgium	511.4 (102.8)	530.9 (98.0)	519.6 (94.9)	520.6 (93.8)

Source: Perelman et al. (2009) /OECD PISA 2006

Various explanations for such significant differences between the two communities have been investigated. Factors such as the autonomy of the organization, the social background of the pupils, counseling and early orientation, the size of classes, the possibility to re-take classes, and the expenses spent per pupil have been identified as potential explanatory factors.

Eugène (2008) shows that the Flemish Community is clearly more efficient than the French Community in terms of expenses per pupil (GDP in PPP) related to the outcome

¹³⁸ lesoir.be. Thursday 13 mars 2008 <http://archives.lesoir.be/?action=nav&gps=583951>

¹³⁹ Note: The Flemish Community and the Flemish Region are merged.

of the average OECD PISA score. The various types of education systems are also considered differently; technical and professional educations have a higher status in the Flemish Community compared to the French Community. Moreover, the degree of autonomy of schools seems greater in the Flemish Community, where there are more free schools. Finally, the socio-economic environment, somewhat weaker in the French Community, probably also contributes to a lower level of education (Eugène 2008). A survey conducted in 2000 and analyzed by Ginsburgh et al. (2007) moreover shows that French speaking unilingualism is much more common in Wallonia (63% among people over 40 years old and 51% among people under 40 years old) compared to Dutch unilingualism in Flanders (39% over 40 years and 12% under 40 years).

According to the survey, the Walloon's knowledge of Dutch is also inferior (16% among people over 40 years old and 23% among people under 40 years old) compared to the Flemish knowledge of French (50% over 40 years and 71% under 40 years). The absence of language improvements between the generations in Wallonia is worrisome and diminishes the possibilities of employment¹⁴⁰. The Marshall plan for the Walloon Region, which is a large program, recognizes these problems and allocates a budget of 60 million euros to improve the language knowledge of the citizens in the region (Ginsburgh et al. 2007).

Table 7.5. The Marshall plan

In an effort to boost the competitiveness of the Walloon Region in sectors where it already had potential, the Walloon government adopted the Marshall Plan in September 2005. The plan is based on five aspects: center of competitiveness; development of activities; cutting corporate taxation; encouraging research and development; and enhancing vocational skills.

As part of the green version of the Marshall Plan (Marshall Plan 2.0), the Walloon government decided to expand the clusters/centers of competitiveness policy. To this end, a budget of €388 million was provided to implement research, investment and training projects.

Source: www.wallonie.be

7.3.4.3 Perception of corruption in the public service

In a Eurobarometer report published by the European Commission in 2009, 78% of Belgians estimate that corruption is a major problem in Belgium, 82% that there is corruption in national institutions, 81% in regional institutions and 82% in local

¹⁴⁰ 17e Congrès des Economistes Belges de Langue Française 21-22 Novembre 2007

institutions¹⁴¹. According to the survey, 56% think that *"the giving and taking of bribes, and the abuse of positions of power for personal gain are widespread among the politicians at the local level"*.

Moreover, according to the Belgian General Election Survey (2003), 50.4% of the French Speaking citizens included in the survey thought that corruption such as bribe taking was very widespread among politicians, compared to the Dutch Speaking citizens, where 24.5% thought that bribe taking was very widespread¹⁴². However, a bivariate analysis of the European Social Survey, round 2 (2005), shows that the citizens in the Flemish Region are slightly more tolerant towards public officials asking for bribes compared to the Walloon Region (Maesschalck et al. 2006).

As of 2002, a ministerial memorandum stipulates that the federal police should be responsible for investigating cases of corruption. In practice such cases would be examined by the specialized federal police services, namely the Central Office for the Repression of Corruption (in French: "Office Central pour la Répression de la Corruption" - OCRC). The OCRC is a part of the Directorate for Economic Financial Crime (ECOFIN) which belongs to the Belgian Federal Judicial Police. The body has the legal power to carry out investigations in the entire Belgian territory. The main tasks of the OCRC are to investigate complex and serious crimes of corruption in public services and the private sector, as well as other related offenses, such as misappropriation of public office etc.

Both federal and local police levels use a single system of sharing information about cases of corruption and the OCRC has created a website to improve information about corruption practices and induce reporting. The OCRC accepts anonymous reports. However, reporting mechanisms for civil servants are still unsatisfactory, and none of the experts could account for any implemented structure or reporting mechanism in Wallonia on corruption or related offenses.

All officials and civil servants are under a general obligation to report to the Public Prosecutor (Procureur du Roi) any offense or misdemeanor that comes to their knowledge (article 29 of the Code of Criminal Procedure), including corruption offenses. However, they still tend not to do so and the provision of article 29 of the Code of Criminal Procedure is almost never used in practice (OECD Anti-Bribery Convention Progress Report 2009)¹⁴³. According to Transparency International in Brussels, this law remains unapplied mostly because there are no effective sanctions for those civil servants and officials who are aware of offenses or misdemeanors and do not reveal them.

The Council of Ministers decided in 2006 to set up a whistle-blowing system for civil servants at the federal level, but this has not yet been done (OECD Anti-Bribery Convention Progress Report 2009). In 2005, the Flemish region introduced a whistle-blowing protection system. In Wallonia, no Whistle-blowing system has yet been implemented¹⁴⁴. Instead, experts explained that the media, the justice system and the police or unions would be the mechanisms entrusted to reveal corruption cases.

¹⁴¹ The Attitudes of European towards Corruption 2009. Available at: http://ec.europa.eu/public_opinion/archives/eb_special_en.htm

¹⁴² In (Maesschalck et al 2006)

¹⁴³ OECD Anti-Bribery Convention. Progress Report 2009. Transparency International. Available at http://www.transparency.org/publications/publications/conventions/oecd_report_2009

¹⁴⁴ Information from an expert, 21 May 2010. No secondary sources have been found concerning this issue.

7.4. Causes of QoG in the Walloon Region

According to the quantitative survey that measured quality, impartiality and perception of corruption in three welfare services (education, health care and law enforcement services) the Walloon region is ranked just over the mean region in the EU with respect to overall QoG at 0.17 standard deviations over the average of all 172 regions included in the survey. Flanders was ranked in the top 15% of all regions in the EU and is 1.16 over the standard deviation; Brussels Capital Region was ranked below the EU mean at -0.20. In an EU-wide context, Midtjylland in Denmark is ranked the top region, 2.14 standard deviations over the average, while Severozepaden in Bulgaria is ranked the lowest, with a QoG score of -3.05 below the mean EU score. The table below shows data for each of the categories of quality, impartiality and corruption in three public services: education, health care and law enforcement services

Table 7.6. Results of the QoG analysis:

	Ranking/172 Regions	QoG Index	Quality	Impartiality	Corruption
Wallonie	82	0.17	0.79	-0.56	0.21
Flanders	21	1.16	1.31	0.98	0.67
Brussels	104	-0.20	0.55	-1.07	0.02

Source: Charron et al. (2010). Measuring the Quality of Government and Sub National Variation

This section gives the experts' perspectives of quality of government in the Region. The author of the report also provides research and surveys done by various scholars and institutions to confirm the experts statements.

4.1 Notes on the investigation methodology

The study was conducted by means of eight interviews with ten experts, in three different Belgian cities: Namur, Liège and Brussels. The persons interviewed either work in different public institutions or have particular expertise in quality of government issues in the Walloon Region. The author contacted the experts by e-mail or telephone and, after they agreed to participate, interviews were carried out in person in the above-mentioned localities. The experts were chosen from different fields to ensure coverage of three public services: education, health care and law enforcement.

7.4.2 Regional autonomy and the administration

As mentioned above, Belgium is a federal state, and the division of powers between the federal and the regional levels of government is organized on an exclusive basis, meaning that the State cannot intervene in the regional sphere of competences.

Certain competences of the Walloon Region and of the French Speaking Community's territories overlap, and the Walloon Region and the French Speaking Community each have a government, a parliament with its pertinent institutions and an administration¹⁴⁵. Moreover, the Provinces and the Communities have their own competences and pertinent administration. The tax system is divided between federal tax

¹⁴⁵ The Walloon Region also has a German Speaking Community, which has its own government and parliament with pertinent administration.

revenues, in particular personal income taxes (P.I.T.) and value-added tax (V.A.T.)¹⁴⁶. The regions have control over indirect taxes such as registration fees for housing, inheritance taxes, road fund tax etc.¹⁴⁷.

Experts explained that the division of competences and the shared authority between the Federal, the Walloon Region, the French Speaking Community, the Provinces and the Communes make it complicated for citizens to find information and understand politics, and for administrators to be able to take decisions. The principle of “federal loyalty” was an attempt to address the issue of the authority shared by the Federal, the Regions and the Communities (Communes?). The reform means that the federal authority, the regions and the communes not only adhere to their respective areas of responsibility but, to ensure that the various institutions function as a balanced whole, must also act in a way as to avoid all conflict of interest among themselves¹⁴⁸. However, the experts stated that the complex governmental structures and the shared authority between the Federal, the Walloon Region and the French Community, the autonomous Provinces and the Communes have a negative impact on transparency, effectiveness and the quality of the public services and their administration.

"The university hospitals are under the responsibility of the community (since it is under the category of education) and the public and private hospitals are under the responsibility of the region. Therefore, in the Walloon Region there are two different structures which manage the hospitals. This affects the efficiency negatively and could be one reason for the perceived low QoG score. Merging the two administrations and managing them under regional supervision, would be a great improvement"^{149 150}.

In 2004, the Walloon Institute for Evaluation, Prospection and Statistics (IWEPS)¹⁵¹ conducted a survey of users' satisfaction with the Walloon administration^{152 153}. The IWEPS makes the reflection that it is generally difficult for users to identify the level of government involved in a bureaucratic exercise. The objective of the survey was thus to measure citizens' level of satisfaction with the Walloon public services. Private citizens or professionals were interviewed concerning 12 different public services¹⁵⁴. The answers were coded as satisfied and dissatisfied. People were surveyed about their knowledge of which public services should be contacted and about their satisfaction with the level of effectiveness of the Walloon administration. While the results showed that 79% were

¹⁴⁶ These taxes are levied uniformly across the country.

¹⁴⁷ OECD Economic Survey: Belgium 2007

¹⁴⁸ Belgian Constitution. article 143 [Prevention and Settling of Conflicts of Interest]. Source found at http://www.servat.unibe.ch/icl/be00000_.html 6 August 2010.

¹⁴⁹ Quote from an expert, 20 May 2010. Translated from French, « Les hôpitaux universitaires sont sous la responsabilité de la communauté et les hôpitaux publics et privés sont de la compétence de la région. Cela signifie qu'il y a en Wallonie deux structures différentes qui dirigent le réseau hospitalier. Ceci affecte la source l'efficacité et explique en partie la perception d'une faible qualité de la gouvernance. Fusionner les deux administrations et les faire superviser par la région serait ainsi un grand progrès. »

¹⁵⁰ Since January 1994, Health policy is exercised by the Walloon Region, except university Hospitals. (Public Authorities in Wallonia. 2010-06-10. www.crisp.be.

¹⁵¹ Institut Wallon De l'Evaluation, de la Prospection et de la Statistique (IWEPS)

¹⁵² Enquête sur la satisfaction des usagers de l'administration Wallonne

¹⁵³ Tendances Economiques. Analyses et previsions conjoncturelles. N 26/ Mai 2004

¹⁵⁴ The twelve public services included in the survey were: Energie, Mobilité, Forem : emploi, DGEE - Emploi, Transport scolaire, Logement, Environnement, AWIPH, PME, Formation Forem, Agriculture, Logement social

satisfied and found it easy to find the right public service, almost one of five were dissatisfied and found it difficult to identify the adequate public service. The level of effectiveness showed almost the same result, where 80% were satisfied with the effectiveness of the Walloon administration and 20% were dissatisfied. The other questions reached a level of satisfaction between 75 and 85 %.

In 2008, to enhance efficiency and transparency for citizens, the Ministry of Equipment and Transportation and the Ministry of the Walloon Region were merged to form one entity, the Public Service of Wallonia. The experts saw this merger as one of the most important improvements in the Walloon administration in the last ten years. Moreover, the Ministry of Budget and the Head of the Government of the French Community and the Walloon Region were recently merged. Several experts expressed their contentment with the merger and stated that further rationalization with a decreased number of ministers, and an eventual merger between the French Community and the Walloon Region, would be advantageous for enhancing the efficiency, transparency and quality of public administrations.

However, there are political obstacles to the merger of the two administrations. Compared to the Flemish Region, which was merged with the Flemish Community in the 1980s, most experts agreed that it would be difficult to enforce the same organization in Wallonia. The main reason is Brussels. With a merger, the large French-speaking community of Brussels would belong to the Walloon Regional administration; however, the Flemish Community would probably not accept sharing their capital with the Walloon Regional administration. Experts also explained that there is a lack of political willingness in Wallonia to merge the two administrations; indeed, it would reduce the number of positions and opportunities for pursuing a political career in the administration.

7.4.3 Public authorities

*"To have good governance, you need an alternative in politics, and the biggest problem in Wallonia is that there is an immutable political stability"*¹⁵⁵.

Several experts raised concerns about the strong dominance of the Parti Socialiste (Socialist party), which has often in the past 30 years been the governing political party in the government. Moreover, because of the superiority of the Socialist Party in Walloon regional politics, concerns were also raised over the strong impact of the Socialist Party on the regional administration.

Hondeghem (1990) writes that civil service has always been strongly politicized in Belgium. *"Beyond the formal and objective procedures, lots of possibilities exist to appoint and promote politically befriended civil servants"* (Hondeghem 1990)¹⁵⁶. Another issue highlighted by the experts was the various corruption scandals among politicians, as well as by heads of government in the Walloon Region¹⁵⁷. However, people continue to vote for the same parties, even after disclosure of these scandals. One

¹⁵⁵ Quote from an expert, 20 May 2010. Translated from French: « Pour avoir une bonne gouvernance, il faut une alternance en politique, et le plus gros problème en Wallonie c'est qu'il y a une trop grande stabilité politique qui empêche le changement. »

¹⁵⁶ In Walgrave et al 2004

¹⁵⁷ Ex: Guy Coëme and the Agusta scandal (3 February 1988- 9 May 1988), Jean-Claude Van Cauwenberghe and the Intercommunale pour la Collecte et la Destruction des Immondices (ICDI) (4 April 2000- 30 September 2005)

explanation provided by the experts in this concern, is that, since the voting system is mandatory, some citizens vote on the basis of habit. It is thus difficult to achieve a shift of power in elections, which creates a political stability that is harmful to good governance. While mandatory voting also exists in the neighbouring region of Flanders, the party system is much more diverse than it is in Wallonia. Moreover, since the creation of the separatist party, Vlaams Blok, the major parties have adopted the policy of *cordon sanitaire*, which has led to broad, cross-block coalition building that does not exist in the Walloon region. Thus no single party in the Flanders Region has had similar control over governance as PS in Wallonia.

The large number of ministers in Belgium is a problem because it creates an ineffective administration. There are ministers that represent the federal, the regional and the community governments. The experts explained that the veto power held by each minister affects the efficiency when a decision must be taken. Moreover, the large number of "minister cabinets" creates major difficulties in public governance according to a survey conducted by the OECD (2007). Ministers in Belgium have ministerial cabinets at their disposal to help them enforce their policy. A ministerial cabinet (M.C.) can be defined as a "*staff of personal advisers who are hired when a Minister takes office and are not part of the administrative hierarchy*", Walgrave et al. (2004). The M.C.s act as a minister's private council and they come and go with their ministers. M.C.s in Belgium are powerful institutions; they assist ministers in identifying and formulating problems, in outlining policy, and in everyday decision-making (Walgrave et al. 2004). The M.C.s have been widely criticized and the country's administration is considered to underperform because of the M.C.s carrying out top civil servants' jobs (Suetens and Walgrave 2001).

After the federal legislative elections in June, 1999, the Federal rainbow coalition government (consisting of liberal, socialist and green parties) decided to abolish the M.C.s and to rely on the country's regular administration for policy advice. This reform was part of the Copernicus reform, which aimed at restoring citizens' confidence in the public institutions¹⁵⁸. However, a complete abolishment of M.C.s did not succeed and the following federal government of socialist and liberal parties that took office in June 2003 reinstated the M.C.s (Walgrave et al. 2004).

7.4.4 Recruitment process and working-place

Since the 1990s, Belgium's governments have tried to reform their human resource management systems in order to improve their efficiency and governance. Regions and communities in Belgium are free to organize their human resource management systems within the general principles established in the Royal Decree on General Principles (22 December 2000). Several of the reforms undertaken during the last two decades have been relatively similar, but the pace and depth of reforms have varied significantly across governments, reflecting different value systems, economic situations and willingness to reform (OECD Review 2007).

The 2007 OECD Review indicates that the Flemish and Federal Governments seem to be in a mature phase of reform implementation and have taken steps away from the traditional career-based system of employment in the public sector – that is, advancing

¹⁵⁸ The Copernicus reform was aimed to reduce the size of ministerial cabinets and integrate policy formulation in the administrative apparatus. Pelgrims et al. (2006)

more towards the position-based system in which candidates to a public job, like their private-sector counterparts, are recruited to fill a particular position instead of joining a general administrative “corps”. The French Community and Brussels Capital Region have been more incremental in nature, with no significant steps away from the traditional career-based system. However, some emphasis has been put on performance measurement at the level of the organization and on the management of competences. The Walloon Region has taken the most cautious and incremental reform path, with an explicit emphasis on retaining the distinctive traditions and attractiveness of public sector employment. Nevertheless, it is presently reorganizing to better adapt its organizational structure to the needs of strategic management (OECD Review 2007).

The experts confirmed the existence of concerns related to human resource management in Wallonia and said that various kinds of contacts are important when new employees are recruited and that belonging to a certain political party could be important for decisions concerning employment, especially for higher civil servant positions. These concerns were of less importance at medium or low civil servant positions:

*"We were three persons for an employment position and it was clear that the reason the person was chosen was that he had the right political colour"*¹⁵⁹.

*"At the Medical Advisory (Conseil Médical) at the hospital, all the members belong to the same political party. However, this does not concern the doctors, nurses and other staff working here"*¹⁶⁰.

Nevertheless, one expert with long experience in the Regional Walloon administration explained that the recruitment process has become more objective over the last ten years.

*"Now there is regularly an objective analysis based on the competence of the person; this was not always the case before"*¹⁶¹.

7.4.5 Examples of measures implemented to enhance efficiency, transparency and quality of public services

The Walloon Regional government (2009-2014)¹⁶² calls for an impartial administration to enhance the quality of public institutions. The government thus supports the use of the national public administration service, SELOR¹⁶³, and the encourages the establishment of a new common recruitment agency for the Walloon Region and the French Community if SELOR is de-federalized.

¹⁵⁹ Quote from an expert, 19 May 2010. Translated from French: « On était trois candidats à un emploi et il était clair que la personne qui a été embauchée a été choisie en partie en raison de son bord politique. »

¹⁶⁰ Quote from an expert, 20 May 2010. Translated from French: « Au sein du Conseil Médical de l'hôpital, tous les membres appartiennent au même parti politique. Cependant, cela ne concerne pas les docteurs, infirmières et le reste de l'équipe qui travaille ici. »

¹⁶¹ Quote from an expert, 21 May 2010. Translated from French: « Aujourd'hui il y a régulièrement une analyse objective fondée sur les compétences de la personne, ce n'était pas toujours le cas auparavant. »

¹⁶² "Project de déclaration de politique regionale wallonne" 2009-2014. Page 242

¹⁶³ SELOR is the federal selection agency for statutory personnel for the central governments of the Federal Government, Brussels Capital Region, the Flemish Government, the French Community, and the Walloon Region.

Moreover, the Walloon Regional government's declaration (2009-2014)¹⁶⁴ underlines the need to strengthen citizens' confidence in public institutions and in elected politicians. As a consequence, the government has decreased the resources allocated to cabinets as well as the size of the cabinets¹⁶⁵. A mandate system for seniors (renewable contracts depending on the achievement of objectives) has been implemented with the objective to ensure more responsiveness of public administration and, thus, to decrease the need for large cabinets.

The mandate system, which was first implemented in 2003, was pointed out by the experts as an important improvement. After a selection process with tests conducted by SELOR, the candidate must present a letter of mission with a five-year plan to implement the objectives of the mission. After five years, the civil servants will be evaluated and, if the evaluation is favourable, they will be allowed to renew their mandate. If the evaluation of the mission is not approved, the civil servants cannot run for a new mandate period (Marie Göransson, 2009). The experts explained that the positive outcome of the mandate system is that civil servants are more motivated, which enhances the quality of public services.

To enforce the compliance and good conduct of the employees in the public services, a system of administrative sanctions for the Communes¹⁶⁶ in the Walloon Region was created in 1999¹⁶⁷. In 2006, a survey showed that 63.4% of the Communes used the sanction system in the region.

With the creation of the "Contact d'Avenir" in 2002, the *egovernment* was implemented to make the complex Walloon administration more transparent, to increase quality and to make the administration more effective¹⁶⁸. In 2005, the *egovernment* was expanded and renamed as ESAI-Wal, with the goal to simplify the administration in the Walloon Region¹⁶⁹. The simplification of the administration and the *egovernment* is also a priority for the regional Walloon legislation (2009-2014) and includes the French Community¹⁷⁰.

4.6 The Media

The media have regularly reported cases of corruption cases in the past 20 years, at the federal, regional and local levels (Transparence et Politique 2010). However, the experts showed little confidence in the media. One expert explained, "*The media are probably not corrupt but they might have difficulties reporting certain issues*"¹⁷¹. According to the expert, the reason for this is twofold. First, the public media is partially financed by political parties and it is consequently delicate for the public media to report on certain issues about political parties. Secondly, the public media has a small budget, and this has a negative impact on the quality of the investigation. The expert explained,

¹⁶⁴ Project de déclaration de politique régionale Wallonne" 2009-2014. Page 238.

¹⁶⁵ <http://archives.lesoir.be/?action=nav&gps=751633>. 3 février 2010

¹⁶⁶ Sanctions administratives communales

¹⁶⁷ In 2004 a modification of the sanction was implemented, (L. 17.6.2004, M.B. 25.7.2004). <http://www.uvcw.be/espaces/police/334.cfm>.

¹⁶⁸ *egovernment* is electronic online-government

¹⁶⁹ www.easi.wallonie.be

¹⁷⁰ Plan de simplification administrative et d'e-Gouvernement 2010-2014. Adopté par les Gouvernements wallon et de la Communauté française le 25 février 2010

¹⁷¹ Quote from an expert, 21 May 2010. Translated from French: « Je ne pense pas que les media soient corrompus mais je pense qu'ils manquent nettement de moyens et donc qu'ils ne peuvent pas toujours mener les enquêtes qu'ils voudraient. »

"because of this, I don't think the public media is very independent"¹⁷². Even though the experts expressed a lack of confidence in the public media, all experts showed even less confidence in the private media. Finally, several experts explained that certain media in the Walloon Region have a clear political position, which might influence the reporting of information.

7.4.6. EU's impact in the Walloon Region

According to the EU Cohesion Policy, four provinces are "phasing in" provinces (Namur, Luxembourg, Liege and Walloon Brabant). One province (Hainaut) is a phasing out region. In 2007, the European Commission approved an operational programme for the four phasing in provinces. The aim for 2007 to 2013 is to focus the development strategy on restoring the urban competitiveness of the metropolitan areas and enhance the regional competitiveness of the rural areas. The program has four priorities: (i) job and business creation, (ii) development of human capital, knowledge, know how and research, (iii) balanced and sustainable territorial development, and (iv) technical assistance. The goal is to create more jobs and the expected outcome of the investments is to create about 4,300 direct jobs. The expected overall impact, taking into account indirect and derived effects, is estimated on the basis of about 10,700 new jobs by 2015¹⁷³.

As Belgium is one of the founding countries of the European Union, it was difficult for the experts to address any specific changes in the public services since Belgium became an EU member state. However, the region benefits from the various European Regional Development Funds, such as the Operational Program for the Regional Competitiveness and Employment Objective, with a total budget of around 720 million euros. Moreover, the Rural Development Plan for Wallonia, 2007-2013, contributed 194 million euros, corresponding to 40.69% of the total public expenditure. The overall objectives of the Rural Development Plan for Wallonia are to enhance the competitiveness of the agricultural sector, stimulating dynamic and lively rural areas to make them more attractive as places to live and work, and creating the local capacity for building to develop further rural areas¹⁷⁴.

7.5. Conclusions and policy recommendations

The Walloon Region showed a significantly weaker QoG index score as compared to the Flemish Region in the quantitative survey of *"Measuring the Quality of Government and Sub National Variation"*. The Walloon Region was selected for a case study in order to collect information on possible explanations for the weak QoG index score, and eight interviews with ten experts were conducted in Namur, Liège and Brussels. The experts either have knowledge of quality of government in the Walloon Region or work within different public services in the localities mentioned above.

The common explanation provided by the experts for the significant differences in the QoG index score between the Flemish Region and the Walloon Region was the

¹⁷² Quote from an expert, 21 May 2010. Translated from French: « A cause de cela, je ne pense pas que les media soient très indépendants. »

¹⁷³ Regional Policy. European Union. Operational Programme 'Wallonia (not including Hainaut)'

¹⁷⁴ Rural Development Plan for Wallonia (Belgium). MEMO/07/486. Brussels, 21 November 2007

complexity of the administration composed of the Walloon Region and the French Community. Moreover, the layers of the Provinces and the Communes, with their specific competences, add to the complexity of the administrative organization. This negatively affects the efficiency and transparency of governance and results in a low confidence of citizens in their public services. Compared to the Flemish Region, which transferred all of its constitutional competences to the Flemish Community in the 1980s, the Walloon Region and the French Community consist of two parliaments, two governments and their pertinent administrations. Moreover, experts suggested that the politicization of administrators, the manifold political scandals, and the lack of efficient anti-corruption measures, such as a whistle-blowing protection system, are additional factors that can explain Wallonia's weak QoG index score.

A rationalization of the administration was recently undertaken in the Walloon Region, illustrated for instance by the merger of the Ministry of Equipment and Transportation and the Ministry of the Walloon Region, which are now under the control of the Public Service of Wallonia. Moreover, the two budget ministers and the heads of governments have also been merged, and the current government (2009-2014) has decreased resources that are allocated to cabinets and the size of ministry cabinets. These reforms were pointed out by the experts as significant improvements in enhancing QoG in the region. However, the experts called for further mergers in order to improve and simplify the organization of the administration. They suggested following the example of the reform undertaken by the Flemish Region and the Flemish Community in the 1980s. Nevertheless, experts also pointed out the obstacles to a further rationalization, underlining a form of political unwillingness in Wallonia and the fact that Brussels, which is inhabited mostly by French-speaking citizens, is the Flemish capital.

According to the Belgian General Election Survey (2003), French and Dutch speakers clearly differ in their perception of political corruption, where the French speakers are more likely to say that corruption is very widespread among politicians. However, a bivariate analysis of the European Social Survey (2005) has shown that the citizens in the Flemish Region are slightly more tolerant towards public officials asking for bribes as compared to the Walloon Region, where tolerance to corruption is lower.

Mechanisms such as a whistle-blowing protection system for civil servants should be implemented in the Walloon Region to diminish the perception of corruption in the region. The Flemish Region installed a whistle-blowing system in 2005, and the system is an efficient way to overcome corruption. Moreover, legal sanctions should be effectively enforced for civil servants and officials who are aware of offenses or misdemeanors but do not reveal them. The Central Office for the Repression of Corruption (OCRC), which is the legal body holding the power to carry out investigations of the entire Belgian territory, should be given the material means and personnel needed to carry out its mission.

To depoliticize nominations, the SELOR system is encouraged and could be expanded by using a system of outside experts for recruitment, especially at management levels, and harmonization of human resources management rules between the Walloon region and the French Community could also be considered for the Walloon Region and the French Community to allow cross-governmental careers.

Overall, the Walloon Region has a weaker socio-economic situation as compared to Flanders, a weaker GDP growth, higher unemployment and a higher poverty rate among

its citizens. Moreover, according to the OECD PISA study, the French Community's 15-year-old pupils are significantly weaker in math, science and reading compared to the pupils in the Flemish Community. The mono-lingualism in the Walloon Region is also highly worrisome. These are important challenges that must be overcome in the region in order to alleviate high unemployment and improve QoG in the Region.

Experts unanimously recognized that the current Walloon Regional government (2009-2014) has shown a great willingness to increase the availability of public services, to increase efficiency and transparency and to improve its performance. The government's declaration (2009-2014)¹⁷⁵ provides measures for tackling many of these issues, and the Marshall plan is being implemented to overcome the socio-economical challenges that the Walloon region is currently facing.

¹⁷⁵ Projet de déclaration de politique régionale wallonne" 2009-2014. Page 238.

8. Country Report: Estonia

by Laleh Kazemi Veisari

8.1. Introduction

After almost two decades after regaining independence from the Soviet Union and its EU accession in 2004, the Republic of Estonia, with its developing market economy, has seen remarkable economic growth in a relatively short period of time¹⁷⁶. Moreover, according to the *Overall Quality of Government (QoG) Index*, Estonia ranks 16th in the EU-27.¹⁷⁷ All the New Member States (NMS), such as Lithuania and Latvia, fall behind Estonia in the ranking; therefore a further qualitative investigation was requested to account for the performance of Estonia. The research at hand primarily seeks to highlight the aspects that enhance quality of government, which then – among other factors – and according to the QoG line of arguing, play an essential role in determining the miracle performance of this Baltic Tiger, as Estonia has also been referred to during the early 2000s and up until the economic crisis in 2008, when the slowdown and recession dramatically affected Estonia.

As a small country with only one NUTS II region, Estonia differs from the other regions selected in this series. This report then seeks to illuminate how the Estonian experience of fast economic growth and social development has influenced the composite indicators – based largely on perceptions – used to determine Estonia’s QoG index score. Six expert opinions contributed to this end. The specialists came from an array of fields: from government officials and public administration academics, to a civil society representative, who then elaborated on the quality, corruption and impartiality in the institutional settings of public administration, public services (health care, law enforcement and education) and the media. As the discussions evolved, the experts’ overall impression was mostly in line with Estonia’s placement as the top QoG performer among the NMS in the EU.

In this report, it is demonstrated that several specific factors have distinguished Estonia from other NMS, in particular its Baltic neighbours, resulting in higher levels of QoG. According to the findings, based largely on expert interviews, Estonia’s combination of an advantageous geopolitical position and historical ties to Nordic countries such as Finland and Sweden, a highly impartial and independent free media, along with the embrace of a young, reform-minded political class during the 1990s that has established an open and competitive party system and the recent advantages of entrance into the EU market have all been key contributing factors to Estonia’s relatively high levels of QoG. The experts argue that Estonia’s relatively high QoG and friendly business atmosphere is recognized by foreign firms and tourists, and has thus resulted in Estonia receiving comparatively higher levels of foreign investment than its neighbours.

The report is divided into the following parts – (2) an initial presentation, in facts and figures, of the country based on recent developments and the current state of the

¹⁷⁶ <http://www.imf.org/external/pubs/ft/weo/2009/02/weodata/groups.htm#oem>

¹⁷⁷ “Measuring the Quality of Government and Sub-National Variation”, p. 57, (Table 2.1): EU Rankings for the 4 Pillars and Overall QoG Index

Estonian economy, political and administrative structures, as well as the current status and impact of European Cohesion policy in the region. From here (3), the method of investigation is introduced. Subsequently (4), the views and expertise of the experts in the investigation are brought forward to reinforce the current literature in the field and highlight the pivotal aspects of Estonian quality of government. Along the analysis an attempt is made to explain and reflect upon how Estonia distinguishes itself from its Baltic neighbours. The last section (5) concludes the paper and seeks to provide potential recommendations for enhancing QoG.

8.2. The Country of Estonia: Demographics and Geography

Figure 8.1. Map of Estonia



Source: <https://www.cia.gov/library/publications/the-world-factbook/geos/en.html>

The Republic of Estonia (*Eesti Vabariik*) covers 45,227 km² and is bordered by the Gulf of Finland to the north, the Baltic Sea to the west, Latvia to the south and Russia to the east. With a population of only 1.34 million, Estonia is a small country and among the least populated in the EU. The official language is Estonian, spoken by roughly 1.1 million people. Russian is also widely spoken, since many industrial immigrants settled here, predominantly in the capital of Tallinn. The ethnic groups are thus divided into 68.7% Estonian, 25.6% Russian, and 5.7% other; due to the close proximity to the Northern countries, especially Finland and Sweden, a minority included here also speaks Nordic languages¹⁷⁸.

8.2.1. Estonia's QoG

Being a small country, Estonia has only one NUTS II region and hence it differs from the other regions selected in this series. It is therefore more meaningful to compare Estonia with the other member states: according to the *Overall Quality of Government (QoG) Index* that is brought forward in this study, Estonia ranks 16th in the EU-27 and is

¹⁷⁸ Source: Statistics Estonia

above of the new member states (NMS).¹⁷⁹ In the following, the report seeks to illuminate what aspects of the Estonian experience of fast economic growth and social development have influenced the composite indicators to determine Estonia’s high QoG index score: an overview of Estonia’s economic indicators and political structure will provide a first glance at its good performance. An examination of the quality, corruption and impartiality in the institutional settings of public administration, public services (health care, law enforcement, and education) and the media will shed further light.

8.3. The impact of QoG in Estonia

8.3.1 The Estonian Economy

With independence, the Estonian economy reoriented from the East to open up to the West: as Tatar (2009:10) puts it, “Estonia had to transform itself very quickly from an occupied Soviet Republic to an independent European state. It meant transition from the communist past, systems and structures towards market economy principles and liberal democracy”¹⁸⁰. Estonia’s strategy of reform was “to launch a rapid, all-out programme, undertaking as many reforms as possible in the shortest possible time” Tönnisson (2006: 9). Furthermore, the market was seen as the “only and reliable future and that is why economic reforms got most of the attention, at the expense of the development of public administration” (Tatar, 2009:10, and Tönnisson, 2006: 9). Thus, the successive governments pursued a free market, following pro-market economic reforms. High rankings such as the current 2010 Index of Economic Freedom ranks Estonia 16th of 179 countries, underlining the potential of Estonia’s economic capacities¹⁸¹.

Looking back, throughout the first half of the 1990s, negative growth rates and high inflation (with a hyperinflation in 1992) hit the Estonian economy. During the five-year period of 1990-1994, the Estonian economy shrank by an average of about 9%. After a programme for macroeconomic stabilization, however, inflation levels fell to exemplary low levels (starting in 1997), and Estonia’s first positive GDP growth rate since independence was registered in 1995. Over the next five years the economy grew an average of 5% annually, and from 2000 the economy took off and a rapid expansion in output together with continued low inflation translated into a substantial increase in real income.

Table 8.1. Annual GDP growth rates (in %)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Estonia	-0.7	10.0	7.5	7.9	7.6	7.2	9.4	10.0	7.2	-3.6	-14.1
Latvia	3.3	6.9	8.0	6.5	7.2	8.7	10.6	12.2	10.0	-4.2	-18.0
Lithuania	-1.1	3.3	6.7	6.9	10.2	7.4	7.8	7.8	9.8	2.8	-14.8

Source: Eurostat

¹⁷⁹ “Measuring the Quality of Government and Sub-National Variation”, p. 57, (Table 2.1): EU Rankings for the 4 Pillars and Overall QoG Index

¹⁸⁰ Tatar (2009: 10)

¹⁸¹ Source: The Heritage Foundation and Wall Street Journal at www.heritage.org, retrieved 20. June 2010

Miracle growth rates as high as 10% during the first half of the 2000s had Estonia's small open economy rated among the fastest growing economies in the world, hence also the name Baltic Tiger. Close ties with trading partners Finland, Sweden and Germany, together with Estonia's strongest sectors in information and communication technologies (ICT), as well as electronics, have contributed to the high growth rates that were sustained until 2007. Other key sectors include machinery and metalworking, wood processing, logistics/transport and food¹⁸².

The evolution of Estonian unemployment rates over the past ten years can be seen below: unemployment rates declined until 2007 as a result of a growing economy in the early 2000s.

Table 8.2: Unemployment rate (in %)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Estonia	13.6	12.6	10.3	10.0	9.7	7.9	5.9	4.7	5.5	13.8

Source: Eurostat

When the financial crisis in 2008 hit Estonia, the bursting bubble of the real estate market with a slump in investment and consumption slowed the economy, and this was followed by a sharp contraction (with GDP plummeting by roughly 15% in 2009) that put the country into a recession. Estonia reacted quickly to the crisis situation and decreased spending in the public sector. Problems still exist with the resulting unemployment. Estonia recorded its highest unemployment rate since 1991 at 15.5% in the fourth quarter of 2009. The number of unemployed is currently at 107,000¹⁸³.

Relatively sound fiscal policies have contributed to the low public debt. In 2011, the government is due to adopt the euro. Furthermore, forecasts predict positive growth rates for 2010 and 2011¹⁸⁴. As one of the interviewees points out, Estonia is doing quite well compared to its neighbours, and the lesson learned from the last decade is that growth rates were too fast. The development over the next five years will be slower, with an aim by 2013 to get the state budget back into surplus.

Estonia's favourable geographical location together with its developing infrastructure facilitates transport and logistics related activities. The railway and road infrastructure connects the cities and rural areas. According to the Estonian Road Administration (2007), while 90% of passengers travel by road, the cargo sector primarily uses rail transport, which carries roughly 70% of all domestic and international goods¹⁸⁵. There are five major cargo ports and six international airports, of which the Lennart Meri Tallinn Airport is the largest¹⁸⁶.

8.3.2 QoG in the Public Sector

The public sector comprises the general government (central and local governments, and extra-budgetary social security funds) and public enterprises. Estonia is divided into

¹⁸² Source: <http://www.investinestonia.com/en/business-environment> retrieved 20. June 2010

¹⁸³ Statistics Estonia

¹⁸⁴ Eurostat

¹⁸⁵ <http://www.evr.ee/?id=2> (retrieved 20 June 2010)

¹⁸⁶ <http://www.aircraft-charter-world.com/airports/europe/estonia.htm> (retrieved 20 June 2010)

15 counties, each of which is subdivided into municipalities, forming the smallest administrative subdivision. The counties do not have great influence at the administrative level as they are subordinated to the central government (Tatar, 2009: 12). The 227 municipalities (34 urban and 193 rural) that make up the local government are self-governed with their own representative and executive bodies. The sources of local government revenues are a composite of 48% tax sharing, 12% locally administered taxes, 10% non-tax revenues, a 7% non-earmarked equalization grant and 23% earmarked grants. One-quarter of the general budget is spent by local governments, and roughly 40% of this goes to education. These local governments vary in size, economic indicators, and in their ability to fulfil their functions. In this respect, as Tatar (2009:12) puts it, Estonia is a country with centralized administration; thus the emphasis on the national level in this report is particularly relevant and appropriate.

Estonia's radical approach to market reform was implemented at the cost of the development of public administration. The consequences of neglecting this crucial element are felt today. This is apparent at the local government level, where administrative capacity is lacking: problems associated with human resources, such as understaffing, and a lack of knowledge and skills, prevent and obstruct the implementation of long-term development plans, as projected by the EU Cohesion Policy (Tatar, 2009: 10). This further exacerbates the lack of autonomy at the regional level.

The specialist responses gathered during the interviews confirm these observations. In general, larger and urbanized municipalities produce more, which goes hand in hand with more income and taxes collected. This applies for cities such as Tallinn and Tartu, which have larger margins, as they have higher levels of competencies to apply for EU funding schemes. In contrast stand the rural municipalities, which have no fiscal autonomy although, according to the constitution, the local governments of the municipalities should be autonomous. In sum, some experts consider that a young government that had its emphasis on developing the economy quickly, with the market in focus, moved other tasks of the government such as policymaking and administration into the background.

8.3.3 Party System Competitiveness: 1999-2009

Table 8.3. Parties and elections in Estonia

Year	Elections	President	Prime Minister	Coalition Government
1999	✓	Lennart Meri	Mart Laar	Pro Patria, Reform, Moderates
2000				
2001		Arnold Rüütel	Siim Kallas	Reform, Centre
2002				
2003	✓	Toomas Ilves	Juhan Parts	Res Publica, Reform, People's Union
2004			Andrus Ansip	Reform, Centre, People's Union
2005				
2006				
2007	✓	Toomas Ilves	Andrus Ansip	Reform, IRL, SDE (left coalition 21 May 2009)
2008				
2009				

Source: <http://www.parties-and-elections.de/> (retrieved 20 June 2010)

One might argue that the relatively stronger levels of QoG in Estonia are related to a truly competitive party system, as evidenced over the last decade. In contrast with its Baltic neighbours, Estonia has had 12 coalition governments since independence in 1991. Thus, compared with its one-party Soviet past, party politics in Estonia has been quite competitive, with frequent changes in governments. An environment of trust in the representative institution is built with such electoral competition and indicates a better quality of government.

8.4. Causes of QoG in Estonia

8.4.1 Cross Border Learning: Relations with Nordic Neighbours

Estonia's foreign policy since independence involved a reorientation towards cooperation with Western Europe that came hand in hand with a move away from the Russian Federation. Largely influenced by the Nordic countries, Estonia's closest ties today include Finland, Sweden and Germany. Cross-country learning has had a strong impact on Estonia, which is reflected by the relatively high QoG performance here. Estonia is member of the EU and NATO, has recently become part of the OECD, and soon will also be part of the euro zone. As regards Baltic relations, Estonia has maintained close relations with Latvia and Lithuania. The Estonian public sector shares practises and exchanges experience with these countries at different levels of the civil service, and there are political working groups to encourage the exchange of knowledge. Through the EU Cohesion Policy, Estonia seeks to further increase cooperation with the Baltic countries to develop its business relations.

8.4.2 E-Government

The Estonian government has made remarkable strides in terms of transparency in recent years. The Estonian Information Society is at an advanced stage of development, with a noteworthy infrastructure for ICT services. The e-Government, launched in 2003,

is a platform of different service portals, environments and frameworks that in the first place covers various Government interactions and transactions. It has been further extended to include citizens, civil servants and entrepreneurs' web portals with roughly 500 different eServices offered by different Estonian central and local governments¹⁸⁷.

8.4.3 Public Sector Practices

8.4.3.1 Recruitment Processes and Working Place

The recruitment system in the civil service in Estonia operates according to an open position system, where any candidate can apply for vacancies; furthermore, entry to civil service is possible at any level. Networking and soft knowledge also play an important role in the recruitment process, and in that sense it is a 'soft process'. Recruitment in the public service is not uniform across the spectrum of ministries, agencies and departments. To a high degree, the human resource management (HRM) is decentralized. This is also in part due to a highly decentralized central government, where ministries are "like kingdoms" in Estonia, as the majority of respondents confirm¹⁸⁸. The turnover is very high in the Estonian public sector and "most likely accelerated by transitional phenomena such as relatively frequent change of governments, fast growth of government institutions required by the independent state, occurrence of many job opportunities (and new professions) in the growing private sector and general instability of newly founded structures" (Randma-Liiv, 2001). With respect to the hiring process in recruitment, the time is very short, anywhere from a few weeks to a few months. The hiring system at times seems to favour speed and efficiency over impartiality. In fact, a source confirms that some vacancies are not even posted because employers pick candidates who they believe to be "the best."

The Estonian public service is a safe haven for young skilled candidates. This is widely accepted in Estonia, as the leadership of the early post-communist days started out as one of the youngest governments in the world (with the youngest leaders). A majority of the "old" government officials were replaced by young and dynamic people striving for a radical change to depart from the Soviet past. Young people run the ministries even today, and thus the attitude towards young people has not changed. While many then-young employees have grown into their positions, and still remain in the public service today, there are no generational issues in the recruitment sector. On the contrary, younger people are seen with more trust and confidence and young employees have the possibility to climb the career ladder very quickly.

As to impartiality in hiring in public sector with respect to ethno-linguistic differences, respondents came to the conclusion that welfare and public services are not biased towards certain ethnic minorities, language differences, gender or ties with friends/family and patronage; the exception is health services, where knowing a doctor may speed up access to the service. Where language is a barrier, which typically pertains to the Russian speaking ethnic minority, there are acknowledged difficulties in accessing

¹⁸⁷ eGovernment in Estonia (Estonian Informatic Centre): Best Practices, by Ahto Kalja, Aleksander Reitrakas, and Niilo Saard, source: http://www.ria.ee/public/x_tee/eGovernment_in_Estonia.ppt retrieved 20 June 2010)

¹⁸⁸ A more thorough discussion on the decentralized central government will follow in the last part of this report

the public and welfare services. In most ministries and services, however, there are typically bilingual Estonian-Russian speaking employees.

8.4.3.2 Public Authorities, Services, and Whistle-blowing

Good conduct is valued in the Estonian public service, and a public service ethics code exists, although it is not legally binding. If a civil service employee is confronted by or becomes subject to misconduct, there is an ombudsman function that her or she can turn to. While the ombudsman is the most general point of contact, the media also plays a big role in reporting harassments in general and, in that way, media has the strongest voice. A respondent confirms that there are popular TV shows and newspapers with weekly investigative journalists who publish cases of concern. Some may also report through the channel of the much-trusted police in Estonia. While there is a labour code and sectoral code of conduct, they do not have a whistle-blowing provision. With no existing definition of whistle-blowing in Estonian legislation, there are no good legal standards to foster this.

“Although there is no separate whistleblower protection act, a number of elements of a legal framework on whistleblowing in Estonia do exist. However there are two sets of problems: firstly the regulation is focused on the public sector only and secondly, the regulations are distributed between different legal acts. Therefore it can be said, that it is rather difficult to find out, what one should do in case one notices corrupt activity and what kind of protection one can expect in case of harassment.” (*Transparency International Estonia*, 2009: 7)

Furthermore, the social context is not in favour of whistle-blowing, because people do not distinguish between reporting on behalf of society and ‘snitching’. From historical and cultural perspectives under the Soviet rule, reporting on others was seen as a very negative act. This is a widely known problem everywhere in post-communist countries, namely that people do not feel comfortable in reporting others. Likewise in Estonia, there is no culture of reporting corruption. Putting it differently, Estonians have not developed a democratic culture of discontent. Speaking up is uncommon, even on the ministerial level; there is caution in reporting, although behaviour varies across the highly decentralized ministries (*Transparency International Estonia*, 2009).

Who investigates acts of corruption in Estonia? As an NGO, *Transparency International* (TI) Estonia mainly seeks to make an impact through raising awareness by sharing knowledge and making information available to the public, conducting surveys, distributing reports and handbooks, and holding seminars and workshops. TI Estonia does not however investigate corruption, and neither do any other civil society organisations; rather, as mentioned earlier, there is an investigative media that reports on corruption. Legally, however, it is primarily the police (for petty corruption) and the Estonian Security Board that follow up large-scale crimes. In 2004, the rights to investigate corruption in the six biggest municipalities were curtailed to the Security Police Board, and the number of corruption crimes disclosed rose dramatically due to the effectiveness of their job. There are also appointed state prosecutors who investigate corruption. Thus, overall, there is a good investigation mechanism, and an ongoing reform is improving it.

The law enforcement system in Estonia is well respected, which is reflected by the high level of trust that Estonians have in the court system, police and security defence police. There was a large corruption scandal (in 2007/8), however, that involved 50 policemen in a bribe network, where traffic policemen received bribes. The whole network was taken down, and the policemen were prosecuted, as integrity is important for the Estonian police. There have also been corruption cases in the judiciary system (2009/10), where two judges from different districts received bribes, and, while the amount of money involved certainly was not large, this highlighted that the risk of corruption prevails in this small country with close networks (TI Estonia).

To bring in a comparative perspective of corruption in the Baltic NMS – while Estonia ranked 27th in the Corruption Perceptions Index (CPI) in 2009, the situation in the Baltic states was worse, with Lithuania in 52nd place and Latvia in the 56th¹⁸⁹. One key explanation of this gap is largely geopolitical and is centred around the positive influence from Finland on Estonia – the close ties between the two countries were apparent even under Soviet rule, when, however limited, ferries were running and Finnish TV channels could be received in the northern part of Estonia. This gave the opportunity for Estonians to compare Soviet thinking to Western thinking. Later, Finland continuously supported Estonia with know-how and knowledge on practises and policies, and Sweden also came in as a source of knowledge and practices. Latvia and Lithuania had closer ties to the East, and did not benefit from this kind of support system. After regaining independence, Estonia managed to hold its first elections in 1991, two years before its Baltic neighbours, and started with radical reforms, changing the laws completely with the know-how of German experts. While Latvia also changed its laws, Lithuania did not follow such a radical approach, keeping its laws with a few amendments. In Latvia, there were a number of oligarchs who managed to get into the political elite, who focused on self-interest to increase their fortune, and corrupt relations were taken to a very high level from the very beginning. The elite continued to rule the country, “*you don’t teach an old dog new tricks*”; but a whole new, young political elite entered in Estonia, with the youngest ministers in the world at the beginning of its independence. Many exiled Estonians returned to provide support and knowledge.

8.4.4. Ensuring QoG in Welfare Services

The following section examines the three different welfare services – education, health care, and law enforcement – subject to whether impartiality pertains in the access to them and what rules exist to ensure impartial and quality services with a minimum of corruption. It is interesting in this regard to further investigate what influences or biases are observed in particular – from political, economic to cultural factors – when attempting to acquire these services.

8.4.4.1 Education

The admission to Estonian educational services is meritocratic and fee-based; while basic and secondary education is usually free of charge, tuition fees apply to higher education degrees. There are also private schools and universities where fees apply. Thus a large majority of Estonian university students pay for their education, and, with a greater availability of financial resources, access to education becomes easier. This is

¹⁸⁹ <http://transparency.org/> retrieved 20 June 2010

probably the only way that ‘economic influence’ may play a role in the access to education, as the following scenario demonstrates: when a candidate is lacking the grades for admission to a state financed position/programme, the student would have to pay the tuition in order to be admitted. Furthermore, elite private schools, regardless of the economic or political influence of the parents, cannot be accessed unless students achieve the merits for entry. These procedures are the standard; thus, in conclusion, education services are impartial.

8.4.4.2 Law Enforcement Services

With respect to the law enforcement system, citizens have a high degree of trust in and respect for the various services (police, judiciary, defence); likewise, codes of conduct ensure that integrity is maintained in law enforcement. However, as reported earlier (for a more detailed description see *Section 4.3*), there have been cases of corruption, which have been successfully tackled (bribe networks have been dismantled and offenders duly prosecuted) and, in general, the traffic police is seen as being most prone to receiving bribes. Overall, the respondents maintain the perception that access to law enforcement is fair, and that factors such as political, economic or cultural differences generally do not play a role in this regard.

8.4.4.3. Health Care Service

The discussion of the reputation of the health care services diverts substantially from the other two welfare services. There are anomalies in acquiring health care services, with an extensive network of partial actors in this service sector. In the Estonian society, the scope of corruption or partiality in the health care system is not known: there is a sub-culture of doctors “watching each others’ backs”. Steps are being taken by the Ministry of Justice to conduct a survey in 2011 to illuminate the state of the health care system and assess the real situation. The focus of the survey will highlight two problems pertaining to the health care sector: the jumping of queues to get a favourable position in the waiting line, for instance for surgery, and the problem of bribing and giving gifts in order to access better health care services. It is commonly understood that, to achieve this end, the patient must bribe the doctor or offer a valuable gift.

The health care sector is the only public service in Estonia in which corruption/partiality is explicit and present. This is the most common intersection of citizens with corruption: going to the doctor is an everyday activity where people come into touch with corruption; while there is no proof of such activities occurring and obstructing fair access to health services, most are aware of this phenomenon. No reporting systems exist to address corruption in this sector. The observations illustrate how problematic access to health care is, and it is suggested that policy recommendations should focus specifically on regulating this sector to improve the conditions for the public.

8.4.5 The Media

In the 2009 Freedom of the Press Global Rankings, Estonia was among the top performers¹⁹⁰. The views expressed about the media in the interviews were also in line with statistical results such as the aforementioned, as respondents placed a great deal of

¹⁹⁰ <http://www.freedomhouse.org>: Estonia ranks 14th in the world. (Retrieved 20 June 2010)

of trust and confidence in the local media. The following is a comprehensive examination of the media apparatus, with insight that points to how economic competition and the striving for maintaining reputation can reinforce good conduct, and hence also influence the quality of services, ultimately reflecting a higher quality of government.

Transparency in the media is rated as very strong in terms of the absence of corruption and the risk of corruption that can be found in journalism. Compared to the Latvian and Lithuanian media, Estonia stands out in the following way: while the Baltic neighbours' media organizations are often affiliated with or owned by political parties, the Estonian media and newspapers are considered very independent. Although there seems to be little or no corruption in the media, measures are in place to prevent corruption: the media ombudsman of Estonia monitors the media closely. In addition, there is a focus on the prevention of corruption in existing guidelines for journalists. Efforts by the Ministry of Justice and Transparency International Estonia are currently geared toward developing a manual for journalists on how to tackle conflicts of interest.

A high level of confidence was expressed with regard to various sources of news available to the public, and the information published typically reflects the real situation in the country. Standards are high among the media organizations. An explanation for the high level of confidence in the Estonian media can be found in the fact that competition among newspapers is strong, which translates into a mechanism to prevent corruption, as the priority is to maintain the reputation and high profile of the newspapers. Hence the media is discouraged to make mistakes that could imply a loss in reputation. With respect to the reliability of the source, there seems to be no difference in privately owned versus state-owned forms of media.

Furthermore, an overall agreement on the high degree of freedom of press today confirmed that the press at present is significantly freer, as compared to 20 years ago, when Estonia was still under Soviet rule. The media is now regarded as impartial and reporting is free on issues ranging from corruption, security and economics to politics and public health. In line with this, the media does not hesitate to attack the government in any issues. Thus Estonia's media can be seen as very "healthy", as it increases QoG through its potential to constrain the power of government authorities.

8.4.6 EU Impact on Estonia

At the prospect of joining the European Union in the early 2000s, Estonia had to develop quickly, and catch up. Thus, since accession in 2004, there have not been any major changes in the quality of public services; the respondents confirm this. While the EU has made a significant impact in terms of implementing EU standards, it has on the whole not been imperative for public sector services themselves. With most of the funding coming from the Structural Funds, the EU regional policy has indeed made an impact by fostering research and development.

8.4.6.1 The State of European Cohesion Policy in Estonia

The EU's Cohesion Policy aims at improving conditions for sustainable growth and jobs, well-being and quality of the environment in the EU regions and at strengthening the integration of regional economies' economic, social and territorial cohesion. It advocates that action should be taken based on the principle of shared management in order to take actions as close to the citizen as possible. It advocates the integration of

various levels of governance because sub-national governments are in the best position to decide where the priorities lie for optimal regional development programmes.

Since Estonia is classified as a NUTS II region, the country as a whole has been a recipient of the Structural Funds and the Cohesion Fund as laid out by the European Cohesion Policy with the aim “to promote conditions conducive to growth and ones which lead to real-time convergence”¹⁹¹. Prior to the global recession, the positive impacts of the policy were achieved in job creation, new companies, support of medium-sized enterprises (SMEs), environmental improvements of municipal infrastructures and various projects that had been approved. By 2007, GDP per capita in Estonia had increased by 25% as compared to the EU-27 average, that is, from 43% in the beginning of the programming period to 68%.

For the current period, 2007–13, the funding Estonia receives has increased substantially and continues under the Convergence Objective with the main focus areas in environment, transport infrastructure investments, R&D and innovation, and training and education. In numbers, roughly €1.2 billion are designated to protect and improve the environment: over €822 million for R&D and innovation, €682 million to improve transport infrastructure and accessibility in Estonia and €194 million to be allocated to the support for entrepreneurship (SMEs in particular). With a highly developed ICT infrastructure, €74 million will be further invested to increase the percentage of internet users and the use of internet from the home¹⁹².

8.4.6.2 Positive Aspect of E.U. Impact

What was particularly highlighted by the experts was the area of higher education – universities have been recipients of much of the EU funding, and improvements are noticeable in their infrastructure and facilities, R&D, and other educational schemes, such as PhD programmes. Thus the EU impact on higher education has been significant. Primary education (schools) has been generally untouched by membership in the EU, and this pertains to hospitals as well (apart from applying EU standards and regulations). It is difficult to pinpoint how much influence the EU has had on Estonia’s public services as the country was already performing quite well in this regard prior to accession. However, with the accession and Estonia’s entry into Schengen, the issues that the police force is dealing with have changed.

Looking at the perception of corruption, the Estonian CPI improved dramatically after 2004, which came hand in hand with the entailing of rights to investigate corruption to the Security Police Board in the six largest municipalities. The law enforcement system became more effective as of 2004 and improved with the implementation of the first Anti-Corruption Strategy, which was drafted in efforts to attain more transparency in Estonia. This process was initiated by Res Publica, a young political party that issued strict statements about fighting corruption and entered the government in 2003.

Estonia has also benefitted from increased international trade as a result of its entrance into the E.U. With the enlargement of the EU in the East, a very attractive market opened up to entrepreneurs from other member states. Foreign investors see good

¹⁹¹ http://ec.europa.eu/regional_policy/sources/docgener/informat/country2009/et_en.pdf (retrieved 20 June 2010)

¹⁹² http://ec.europa.eu/regional_policy/atlas2007/estonia/index_en.htm (retrieved 20 June 2010)

prospects for doing business with Estonia, and the Baltic states as a whole¹⁹³. Investors do not often differentiate between the three (Estonia, Lithuania, and Latvia). While many headquarters for the Baltic region are based in Estonia, Latvia is in a particularly favourable position, as it is located in the centre of the three. However, according to once source, Estonia is often a preferred location as Latvia suffers from economic instability and corruption. In addition, setting up businesses in Estonia is very easy and un-bureaucratic.

Foreign investors also see the Baltic countries as one region that is becoming increasingly wealthy; however, there was more interest in the region when labour costs were lower. Today, many skilled workers from Estonia work in Finland, and brain drain is sometimes a problem, where Estonia has started initiatives to provide incentives for young educated labour to return to the country.

“E-stonia!” – The ICT Sector has emerged as very strong, with inventions such as skype, together with an exemplary e-government: “the rest of the EU needs to catch up with us!” Estonians view the e-government and free internet connection as elementary, even in public transport (buses). A ten-year perspective among the respondents reveals a trend and hope that the Eastern European countries will emerge. There are efforts to increase cooperation between the Baltic countries, and the EU Cohesion Policy also fosters such developments.

8.4..3 Problems with Implementing Reform

Tatar (2009) reveals that the influence of the EU is limited with regard to strengthening the regional autonomy and thus local governments in Estonia¹⁹⁴.

“due to the weak de facto constitutional role (despite the intergovernmental system confers substantial de jure autonomy to local governments), especially in fiscal terms, local governments in Estonia have not been able to grasp EU opportunities through the introduction of the partnership principle which ultimately also hinders more powerful performance at the EU level. (The) Europeanisation impact on the local level is most evident in increased learning from the experience of Europeansiation of other local and regional actors on the international level and in greater cooperation with each other and through transnational networks and Community initiatives in the international context. (The) Estonian case also seems to support the notion of Multi Level Governance (MLG) as being “pluralist with an elitist bias” (Hooghe 1995: 179) meaning that only actors with valuable resources can participate as evident from the strategies of bigger and financially more capable municipalities in Estonia where European affairs are part of the everyday work.” Tatar (2009: 3)

In addition, the evolution of public administration over the past ten years has been resistant to reform, which is due to a strong path dependency, particularly present in the government.

¹⁹³ http://ec.europa.eu/enlargement/5th_enlargement/securing_jobs_and_opening_markets_en.htm

¹⁹⁴ “The Impact of the European Union Regional Policy on Sub-National Mobilisation in a Unitary State: The Case of Estonia”

*“(The) Estonian case largely confirms the overall pattern of the impact of the EU on sub-national mobilisation as evident from the studies of EU15 as well as of CEEC. Europeanisation linked to the lenses of historical path-dependency seems to be the prevailing explanation for rather weak sub-national empowerment in Estonia where in spite of some minor movement towards greater MLG the state still clearly stays in the gatekeeping role.”*¹⁹⁵ (Tatar, 2009: 3)

The advantages of Estonia, as a small country, and, in turn, the consequences of this characteristic on its public administration reveal that “the personal factor is so important” (Randma-Liiv, 2002), and Estonia has developed a public service that facilitates ‘good government’, which is also reflected in its being the top NMS QoG performer. A high degree of ‘personalism’ “gives small states an advantage in developing co-ordination mechanisms and participative decision-making” and “can support institutional pursuits in developing networks” (Randma-Liiv, 2002).

8.5. Conclusions

While the report has highlighted the strengths of and advancements in some Estonian public services and administration, such as improved education services after the EU accession and a trustworthy law enforcement system, it also sheds light on a sector that requires substantial and fundamental improvement: the health care system is subject to partiality, and an assessment of the situation of Estonian health care is overdue.

When questioned about the *Overall QoG Index* for Estonia, the experts broadly agreed with how our study positioned the country in Europe and, in particular, among the New Member States (NMS). In terms of foreign investment in the region, the QoG of Estonia seems to attract investors from abroad. While some foreign investors tend to group the Baltic States as one entity, a crucial difference between Estonia and its neighbours is of course Estonia’s proximity and close connection to the Nordic countries, with a very good transport system (ferry lines). Furthermore, traditionally strong relations with the Nordic countries bring know-how and experience, together with foreign investment, with well-established Nordic businesses in the region, as well as tourism.

An interesting conclusion as to why the Estonian QoG is at the top of the NMS may be drawn from looking at the business culture in Estonia: the factors that influence impartiality in the public sector can be traced back to cross-border learning based on Estonia’s relations with the Nordic countries. Sweden and Finland have the strongest influences in Estonia. The economic, political and social ties with Sweden and Finland keep competitive pressures high in Estonia. Thus, on the one hand, there is a trade-off between high performance and maintaining a good reputation to attract investment, tourism etc. and, on the other hand, limiting corruption. In this way Estonia has learned from the north, while its Baltic neighbours have been oriented more to the east. Here lies a different set of work ethics and mentalities that are imported into the public sector structure, which is reflected in Estonia’s high QoG index score.

Estonia has an enabling environment in the setting up of businesses, where businesses can be started up in a few simple steps. It is true that, in such a small country, there is a tendency to a very strong connectedness, where “everyone knows everybody”. When the government deals with companies, there can be a sense of paranoia and

¹⁹⁵ for more information on path-dependency, see Tatar (2009)

suspicion; however, Estonia has evolved in its own unique way, and there are both advantages and disadvantages stemming from its being a physically small country. At the same time, as a strong business oriented country, it is at also one of the least politicized countries in the world.

To date, many local governments have not been able to cooperate enough with the central government, and this is also partly due to the lack of a cooperative culture in Estonia. Thus, on the municipal level, there is momentum for improvement. Local governments need to gain capacity in order to take full advantage of the opportunities such as those that the EU regional policy offers.

In summary, this report illustrates that a multiplicity of aspects underscore the findings of a higher level of QoG in Estonia relative to other NMS in general, and the Baltic countries in particular. The main conclusions drawn from the expert interviews and recent literature show that Estonia's advantages stem from its unique geopolitical position and historical ties to the Nordic countries, Finland and Sweden, a very young, reform-oriented political class that restructured society in the early 1990s and established an open and competitive party-system, and a highly impartial, independent and free media, as well as the increased market opportunities resulting from the recent accession to the EU. Taken together, these key elements have contributed to Estonia's relatively high levels of QoG. In the experts' view, a combination of Estonia's QoG and a friendly business environment attracts foreign companies and tourists, such that Estonia has been on the receiving end of foreign investment with comparatively higher levels of FDI than its neighbours Latvia and Lithuania.¹⁹⁶

Note

In the light of joining the OECD, an accession assessment report on Estonia was drafted, including a full x-ray of its public governance. This could be of interest to the reader.

¹⁹⁶ Worldbank

9. JIHOZAPAD – (NUTS 2 region - CZ03)

By Mihai DINESCU

9.1. Introduction

Due to its relatively high QoG score in the regional level data, the NUTS II Region Jihozapad was the subject of closer research in an attempt to explain its high performance at the national level and among the NUTS II regions of the new EU member states (NMS).

The region is composed of two territorial administrative units in the Czech Republic, locally named "kraje" - *Plzeňský Kraj* and *Jihočeský Kraj*. The main purpose of creating the overarching region was to achieve a better management of structural cohesion funds in areas such as transport infrastructure, services of tourism, support for the smaller economic centres and improvement of living conditions in the countryside through better educational, social and health care infrastructures. Another important feature of the Jihozapad NUTS II region is the cross-border learning from the administrative practices present in the German region of Bavaria, enforced through programs financed by the European Regional Development Funds.

This report highlights several important factors that distinguish Jihozapad as a high-performing region among the new member states (NMS). The combination of its geopolitical position, history and border with Germany along with the impact of the EU allows attempts to make the hiring process for the public administration more transparent and impartial, and steps in recent years to improve press freedom have all played significant roles. However, problems still persist for QoG in areas of law enforcement corruption, partisanship in the media and favouritism to those with personal or political contacts in the public sector. Overall, the experts that believe one important step for improvement could be a move toward more decentralization, where the important function of enabling a higher volume of foreign investment was mentioned. Creating opportunities for entrepreneurs to deal with the region only - and thus not with the central government in Prague - to obtain authorizations to invest in the region should have an impact on the region's development and QoG in the future.

9.2. Description of the Jihozapad Region

9.2.1 Jihočeský Kraj (CZ 031)

Jihočeský Kraj is situated in the south of Bohemia at the border with Austria and the German Federal Republic, more specifically with the region of upper Austria and the land of Bavaria. It spreads over 10,057,3 km², representing 12.8% of the Czech Republic's territory. Its population is 631,434 inhabitants (as of June 30, 2007) and it remains one of the most scarcely populated regions of the country, with 62.6 inhabitants/km². The region is also the least urbanized in the whole republic, with 623

municipalities, 52 with town status. In the rural areas, due to the economic downturn and difficult transportation, migration to urban centres is modifying the function of several municipalities.

Figure 9.1. Map of the region



9.2.2. Plzeňský Kraj (CZ 032)

The second territorial and administrative unit in the Jihozápad Region, Plzeňský Kraj, is situated geographically between the capital city of the Czech Republic, Prague, and the Western European countries, at the border with the Land of Bavaria. Plzeňský Kraj is the third largest region in the country, with 7,561 km², although, according to its population density, it holds the 9th place, with only 73 inhabitants / km². It is the second least populated region in the Czech Republic, after the Jihočeský Kraj, its neighbour in the Jihozápad Region. The population structure of the region appears somehow atypical. The city of Plzeň, the second urban centre of Bohemia, after the capital city of Prague, has 169,000 inhabitants, while the rest of the region is composed of only smaller municipalities. The network of municipalities in the region is unbalanced, as the city of Plzeň is connected to a range of small rural municipalities without medium-sized towns between.

¹⁹⁷ www.rr-jihozapad.cz

Figure 9.2. Map of the cross-border region financed by ERDF 2007-2013



Source: <http://www.crr.cz/cs/programy-eu/obdobi-2007-2013/cil-3-evropska-uzemni-spoluprace/op-preshranicni-spoluprace/opps-cr-bavorsko/>

9.3. Impact of QoG in the region

Due to the higher administrative relevance of NUTS 3 level in the Czech Republic, the socio-economic analysis of the Jihozapad region will consider certain aspects of each division individually.

9.3.1 Jihočeský Kraj

9.3.1.1 Employment

The economic status of the region ranks among the average GDP/capita of the whole country, but with a long-term low unemployment – 5.1% in 2006, compared to 7.1% in the whole country and 8.7% in the EU25. However, the region contributes only 5.5% to the country's GDP. The volume of foreign investment in the region puts it in 8th place in the Czech Republic, measuring 90,715 Kč/capita according to the latest official data from 2005. The main foreign investors are German, Austrian and Dutch companies.

Several research institutes of the Science Academy of the Czech Republic are based in the region - the Biology Centre and the Institute for System Biology and Environment Protection. Applied research is however missing from the economic development of the region.

9.3.1.2 Prospects for growth

The level of education among the region's citizens is improving constantly. A system of life-long education is also to be implemented in the foreseeable future, although a certain problem affecting the economic development of the region is the low-spread knowledge of foreign languages and low skills in using the modern information technologies. The regional infrastructure is slowly improving, although the level and quality on the national level is still insufficient and underdeveloped. An optimal usage of possible connections with the neighbouring regions is still to be reached, due to the lack of adequate European transport corridors.

The percentage of the water surfaces in the region is the highest in the whole Czech Republic, which required special attention from the authorities mainly after the destructive floods in 2002 and 2006. Protection against floods and sustainable crisis management are still to be implemented. The air quality is considered to be one of the highest in the whole country and the waste management has recorded a decline in environmental pollution with dangerous waste, according to the authorities.

Jihočeský Kraj cooperates with other regions within the Regions' Association in the Czech Republic, while more intensive cooperation is in progress with the neighbouring regions. Together with the neighbouring Plzeňský Kraj, they form the NUTS II region of Jihozápad, enforcing the regional operation programme for the period 2007-2013. In the European regional cooperation strategy - the cross-border section - Jihočeský Kraj works closely across the Czech-Austrian and Czech-Bavarian borders. Two Euroregions are in the Jihočeský Kraj - Euroregion Silva Nortica and Euroregion Šumava, with a certain relevance for improved trans-border cooperation within the EU.

For further development, the regional cooperation must be strengthened between Jihočeský Kraj and Lower and Upper Austria, as well as Lower Bavaria, both at the regional level and between individual municipalities. Among other partners, Jihočeský Kraj has established contacts with the Swiss canton of Bern, the region of Košice in Slovakia, and with the French Department of Bretagne. The regional representation office in Brussels is also worth mentioning.

9.3.2 Plzeňský Kraj (CZ 032):

The second territorial and administrative unit in the Jihozápad Region, Plzeňský Kraj, is situated geographically between the capital city of the Czech Republic, Prague, and the Western European countries, at the border with the Land of Bavaria.

9.3.2.1 Regional economy

Raw material resources represent the main potential for the development of manufacturing. These are located particularly in the central parts of the region, around the city of Plzeň, accounting for resources of coal, heat-resistant and ceramic clays, and

building stone. Regarding agriculture, the region has quite favourable conditions, about 50.4% of the total area, 686% of which is arable land.

Regarding environmental protection, the most important issue is water protection, according to the regional authorities. The sewage plants have been modernized and about one third of the former waste volume was removed. Other plants are in a stage of preparation. However, no major amounts of problematic dangerous industrial wastes are generated in the region. Still, a comprehensive waste management system needs to be implemented.

Most of the areas that enjoy a high rate of economic development are situated along the development hubs on the route between Prague and Plzen, and further on in the corridor towards the German border. Outside this axis there are sparsely inhabited areas, with a prevalence of residential and agricultural functions and insufficiently developed social and technical infrastructure and transport services. To revitalize these settlements, the experts believe the following should be done: establishment of small businesses, revival of crafts and development of services related to tourism.

The population of the Czech Republic stopped decreasing in 2003, and a growth of around 86,000 inhabitants was recorded in 2008, in comparison to the previous year. The natural increase was 14,622 people, but the main reason for growth was the migration of 71,790 people¹⁹⁸.

Regarding the regional economy in 2008, according to the latest official information, Plzeňský Kraj contributed to the total gross domestic product by 4.9%. In terms of GDP per capita, Plzeňský Kraj ranks fourth within the Czech Republic, after Prague, Jihomoravský Kraj and Středočeský Kraj. A strong contribution to this ranking is the city of Plzen, with almost a third of all industrial businesses being concentrated there. With respect to the volume of production, the food and electrical industries hold the highest positions.

Among the most important food enterprises in the Plzeňský Kraj is: *Plzeňský Prazdroj a.s.* (founded in 1843), the largest exporter of Czech beer to almost 50 countries in the world and a member of the SABMiller plc international group, the second most important player on the global beer market.

Another important industrial branch in the region is engineering, mainly related to the name of *Škoda*, with production facilities for classic and nuclear power engineering and petrochemistry, ironworks and forges, heavy machine tools, rolling mills and sugar plants, rail vehicles, trolleybuses, drive motors etc.¹⁹⁹.

Plzeňský Kraj is considered to be very attractive for foreign investors, thanks to its geographical location. The absolute leader among foreign investors is the Japanese plant Panasonic AVC Networks Czech s.r.o., producing TV sets. Other important

¹⁹⁸ Characteristics of the Plzeňsky Region, Czech Statistics Office [viz. 02/05/2010]:
<http://www.czso.cz/xp/edicniplan.nsf/tab/7F004C3F90>

¹⁹⁹ *Ibid.*;

regional players are YAZAKI Wiring Technologies Czech s.r.o., producing components for automobile industry, VISHAY ELECTRONIC s.r.o., dealing with the production of electronic components, Alcoa Fujikura Czech s.r.o., specialized in electronic appliances, and Daikin Industries Czech Republic s.r.o., producing and repairing industrial cooling and air conditioning facilities.

On the Euro-regional basis, cross-border cooperation with Bavaria plays a very important role in moderating social and economic differences. Domažlice and Klatovy Districts (Euroregion Šumava) and the Tachov District (Euroregion Egrensis) are involved in the European Cross-border Co-operation program²⁰⁰.

9.3.2.2 Employment

According to the Czech Statistics Office, the number of employees in the region in 2008 amounted to 160,000 in companies based in the region and excluding those with less than 20 employees. This represents 28.1% of the region's total population. In the same year, the average wage was 21,663 CZK, ranking the region as the third in the Czech Republic, after the city of Prague and the region around the capital city. However, the wage is still lower than the national average, by 8%.

The Business Register of the Czech Republic reported 136,698 businesses in the Plzeňský Kraj at the end of 2008. 38.7% of all businesses in the region were actually registered in the Pilsen city district. Regarding actual employment, 50 businesses employ more than 500 people and 19 other businesses employ more than 1,000 people. The organizations and companies with the highest number of employees in the Plzeňský Kraj are: Teaching Hospital Pilsen, Psychiatric Asylum Dobruška, Plzeňský Prazdroj a.s., West Bohemia University Pilsen, Panasonic AVC Networks Czech s.r.o., YAZAKI Wiring Technologies Czech s.r.o., VISHAY ELECTRONIC s.r.o., MD ELMONT s.r.o., PILSEN STEEL s.r.o., SKODA POWER s.r.o., City Council of Pilsen, the municipal transport company of Pilsen, Financial Authority in Pilsen, and Alcoa Fujikura Czech s.r.o.

In terms of unemployment, Plzeňský Kraj ranks among the regions with the lowest unemployment rates, 5.03% being the fifth lowest in the Czech Republic's NUTS 3 regions. Within the region, the Tachov and Klatovy Districts report the highest rates, with 9.25% and 6.31%, respectively, while the lowest levels are registered in Pilsen-South and Pilsen city districts, with 3.47% and 3.63%, respectively.

As concerns the labour structure, it is most difficult to find a job for those employees with limited work skills, some health-caused limitations, school graduates and administrative workers with only a secondary education. However, there is still a strong demand for technical professionals.

Regarding the social services, there are ten hospitals in the region, with a total of 3,435 beds²⁰¹, 256 nursery schools, 222 basic schools, 14 grammar schools, and 49 vocational training without follow up. As for university education in Plzeňský Kraj, this

²⁰⁰ *Ibid.*;

²⁰¹ *Ibidem.*;

is mainly provided by the West Bohemia University in Pilsen, with its eight faculties – Economics, Pedagogical, Philosophy, Law, Applied Science, Mechanical Engineering, Electrical Engineering, and Health Studies – and the Faculty of Medicine in Pilsen, which is part of the Charles University in Prague.

9.4. Reasons for the QoG in the Jihozapad Region

9.4.1 Cross-Border Contact and Learning: Jihozapad and Bavaria

One of the primary reasons that the region of Jihozapad distinguishes itself not only from others in the Czech Republic but from almost all of the NMS regions is its historical and contemporary relationship and ties with the region of Bavaria. Despite years of ethnic unrest between Germany and the Czech Republic in general, and the NUTS 2 Region Jihozapad in particular, the relationship and economic ties between the two regions has been restored, much to the benefit of Jihozapad in particular. More than anywhere else in the Czech Republic, the region of Jihozapad brings together the Czech and German national identities as two faces of the same coin. In a more integrated Europe, this region appears more or less as a natural extension of the German economy, with many centuries of tradition behind it.

9.4.1.1 Historical Context of the Relationship: Czech-German Ethnic Conflict

Before the 1938 occupation of Czechoslovakia by Nazi Germany, 30% of the people living in the Bohemian lands were ethnic Germans. In 1950, up to almost 94% of the region's inhabitants was Czech. The process of nation building, like in most of the other central and eastern European countries, adhered to practices of inclusion and exclusion, and spread in time from the nineteenth century, grew in intensity in the years up to the World War II, and then ended up in massive population movements or killings. During the occupation, for example, the Nazi regime deported 89% of the Jewish community in Bohemia and 50% of the Gypsies to concentration camps. As a form of revenge, after the war, mobs and the Czechoslovak government expelled the area's three million Germans²⁰².

By the end of 1946, almost two million Germans were subjected to a so-called "organized transfer" enforced by the Czechoslovak government, in a manner that respected in general the mandate given by the Potsdam agreement for the resettlement in "orderly and humane" conditions²⁰³. Focusing more on this issue, historians revealed the large extent of the humanitarian disaster that the German population had to endure during the summer months of 1945. By the end of the same year, over 700,000 Germans had been already expelled from Czechoslovakia by soldiers, security forces and local militias, and resettled in the occupied territories of Germany and Austria. Moreover, 30,000

²⁰² Chad Bryant, "Either German or Czech: Fixing Nationality in Bohemia and Moravia, 1939-1946", IN: *Slavic Review*, Vol. 61, No. 4 (Winter, 2002), p. 686;

²⁰³ Eagle Glassheim, "National Mythologies and Ethnic Cleansing: The Expulsion of Czechoslovak Germans in 1945", IN: *Central European History*, Vol. 33, No. 4 (2000), p. 463;

Germans died in summary executions, massacres, concentration camps, or forced marches²⁰⁴.

However, for many Czech historians and politicians throughout the 65 years that have passed since the end of WWII, the expulsions were an unpleasant fact but were justified as a response to Sudeten German betrayal of the Czechoslovak State and the persecution carried out by the Nazi occupation forces in Bohemia and Moravia between 1939 and 1945. A certain change can be noticed in the Czech historiography of the expulsion, after the fall of communism, trying to document what actually took place in 1945 and 1946. This new approach owes much to the first post-communist Czech President Vaclav Havel, who publicly apologized for the expulsions and rejected the concept of collective guilt.

Despite this fairly recent ethnic conflict, the two sides have been willing to move forward, much to the benefit of the Czech Republic in general and Jihozapad in particular. For example, the post-communist transition has shown the tendency to repair in some way the unfair population transfer at the end of WWII by strong investment of German financial capital back in the Jihozapad region, in many cases relating to a certain tradition surviving from the years before the war. Most of the German firms did not invest in a foreign country, but they were actually coming “back home” to a familiar environment.

9.4.1.2 Jihozapad & Bavaria Today

According to the European Regional Development Funds program for the years 2007-2013, the Bavarian-Czech cross-border cooperation is coordinated jointly by the Bavarian Ministry for Economy, Infrastructure, Transport and Technology and, on the Czech side, by the Ministry for regional Development of the Czech Republic. Once again, this pattern underlines the weak character of Czech administrative regionalization.

In numbers, the Czech side of the border will receive in total 55.04 million EUR, representing 0.21% of all the European funds allocated to the Czech Republic. The specificity of the operational programme in this case lies with the need to gain an impact on the both sides of the border, including a close cooperation in the local communities, in order to prepare, implement and finance the projects jointly.

Official documents talk about two areas of priority in the cross-border cooperation between the Czech and Bavarian communities²⁰⁵:

- *Economic development, human resources and networks* – 72.2 million EUR for research and development, marketing, science, professional qualification, drug prevention, cultural and natural tourism, information centres and museums;
- *Territorial development and environment protection* – 43.3 million EUR for protection of biotypes, anti-flood prevention, cross-border systems for water and energy transport, support for ecological forms of transport, and for the development and construction of the cross-border transportation network.

²⁰⁴ *Ibid.*;

²⁰⁵ <http://www.strukturalni-fondy.cz/op-preshranicni-spoluprace-cr-bavorsko>

9.4.2. Media

The experts were divided as to whether there was any significantly distinct level of trust between state-owned and private-owned actors in the media. Those that maintained that the difference between the two medias was negligible argued that this is due in part to the role of political parties, which tend to manipulate the media in order to sway public opinion. The journalists' attitude was characterized as generally irresponsible. The news is insufficiently investigated and most times must be retracted with great difficulty. Giving her own experience as example, the centre-right party ODS has apparently chosen her as a target to destroy the image of the Social-Democratic party, for which Mrs. Emmerova is running in the parliamentary elections. The main strategy used by the political opponents, according to Mrs. Emmerova, is to launch allegations of corruption, with insufficient prior investigation. She had been engaged in national politics for several years, as a Member of the Parliament, Minister of Public Healthcare, and in the last years as Governor of the Region of Plzen.

On the other hand, in her opinion, the police have become more trustworthy in recent years, somewhat in contrast to the opinions of the other experts. Mr. Borovansky, deputy director of the regional administration, expressed a high average level of trust in all the mentioned institutions, with the greatest trust in the business sector. A lower level of trust was observed in relation to the health care system, not due to possible corruption, but because of the lack of medical personnel, as the trend shows a continuous "brain drain" towards Western European countries. In contrast, professor Cabada of the Department of Political Science of West Bohemia University expressed greater trust in the public health care system than in other institutions such as the police, media, political parties, and the regional government.

The level of confidence in the media was originally divided into the public vs. private-owned media. Private television and private radio stations received on average relatively high confidence, as did the newspapers. On-line news on the regional level does not exist, this market being influenced by several big players from Prague. However, the foreign news agencies seem to be more trustworthy and objective in reflecting important events, even 20 years after the collapse of totalitarianism.

On the other hand, confidence remains high that freedom of the press is strong in the region and in the Czech Republic as a whole. Some of the experts expressed a belief that the Czech media is completely free and out of reach of any sort of influence. A contrasting opinion was given by Mr. Cabada, mentioning the frequent obstacles in the freedom of the press in the region due to the ownership of most regional newspapers, mainly financed by the Bavarian capital. The selection of news seems to be influenced to some extent on the one hand by the media ownership and on the other hand by the advertisers. This perspective enforces even more the high trust in public state media because of the strong pressure from the civil society with respect to the independent and balanced reporting.

Daily news is very current and reflects the events that are a regular part of the daily life in the Region Jihozapad. However, the journalists have the tendency to publish news regarding corruption, most times without a sufficient investigation of their sources,

leading to more nuanced versions of the same piece of news or its complete withdrawal due to insufficient evidence to support the story. In this case, the freedom of the press in reporting cases of corruption is very high, according to the experts, although with eventual negative impact owing to the lack of protection mechanisms against false accusations.

Security, economics and politics are also granted a high score of freedom, with the only exception being the medical services, because of a lack of a deeper knowledge and exact information on the part of the media in this sector. The regional administration appeared to enjoy a similar proportion of positive and negative news, the published information being objective and deserved by the regional government, according to the experts. A similar point of view was given by Mr. Vaindl from the newspaper *Plzensky Denik*, underlying the objective approach in relation to the regional institutions, without any type of preferential treatment from the side of the media towards the political and administrative sphere.

In general, experts have higher confidence in the state-owned media than private media in the region. On this point, the experts consider that the private television and radio media seek profit above the public interest in objective information. All in all, freedom of the press is no doubt greater today than 20 years ago, first of all because of the profound change in the political regime governing the country. The main difference comes from the plurality of information sources available to the public. However, according to Mrs. Emmerova, freedom of the press today is without doubt as high as it can be, although in some cases the newspapers accept with great difficulty publishing personal reactions to their articles, citing the right of those involved to defend themselves. Before the fall of communism in November 1989, the only alternative sources were foreign radio stations (BBC and Radio Free Europe) or German newspapers (smuggled across the border), accessible mainly to those people with foreign language skills. This actually led to a limited audience for these sources and, surprisingly enough, according to the experts, the situation would be the same even today, owing to the insufficient foreign language skills in the Czech society.

9.4.3 Recruitment process and working place

According to the expert sources, personal or political contacts often give merit in public sector employment in the region. For example, Mr. Borovansky, with expertise in the human resources departments of Japanese companies investing in the region, prior to becoming the deputy director of the regional administration, stressed the great importance of personal contacts in the hiring process in the public administration. In general, the structure is divided into the political levels of the hierarchy, reflecting the result of elections and the professional level of the bureaucracy. The board of the regional government is made up of 45 members, appointed by the political parties through elections, who then vote the Regional Governor inside the board. This board has a very important impact on the hiring of new personnel. Least important seemed to be business contacts.

However, the selection procedure is official and transparent and, according to Czech law, there is a preliminary phase of publication for 15 days, a registration of the

candidates, and finally the competition and the publication of the results. A very similar procedure is followed in all the other regions of the Czech Republic, as decentralization was implemented symmetrically, without any “privileged” regions in relation to others. As professor Cabada underlined, even though the recruitment process goes through a phase of publication and, in theory, anyone with the necessary skills should have equal chances for the job, those without any personal/business/political contacts must show much more enthusiasm in the selection procedures.

Unfortunately, in several cases, the candidates with political and personal contacts obtain instructions about the competition for the position in which they are interested. Obviously this contradicts the notion of “bureaucratic impartiality” which is a component of the “quality of government” indicator. In this case, the stability of young employees in the public sector is not a common characteristic in the first years of their career. Most plan to gain the necessary experience for further employment in the private sector in higher paid positions. However, after spending several years in a position in the regional government, they show a tendency to continue their careers in the public sector. The most dramatic situation occurred in 2000, when decentralization was implemented in the Czech Republic, and when the young employees spent an average of one to two years in office. Although young university graduates might be interested in a career in public service, the salaries are quite low relative to the private sector, which according to professor Cabada could explain why mostly women are employed in those positions.

The Czech Parliament is still in the process of adopting the necessary reforms in legislation for employment in the public sector. The career stability “to pension” can only be put in practice by such legal measures. After eight years of debate, the legislative body of the Czech Republic has not yet come to a conclusion. The length of the hiring process, when all conditions are met, is usually one month. This does not mean that the new employee can begin in such a short period, due to the labour legislation which allows a holiday of several months (up to three months) when changing workplace.

As for job stability when a case of corruption is reported, employers are usually encouraged to talk to someone on the board of the regional government, including the Governor. The director of the regional administration and the chief of personnel are the two highest officials that are informed of a possible corrupt practice, and these are also entitled to act unilaterally in relation to the suspected official and to forward the case to the judiciary system.

The overall strategy for improved performance in the public sector relies almost exclusively on “rewards” (carrots) for quality work rather than penalties (sticks) for a lack of production. According to Mr. Borovansky, penalties are very difficult to implement under the strict norms of the labour legislation in the public sector. On the other hand, limited financial resources preclude any chance of offering bonuses and awards for “good behaviour” in public office. However, the Governor, Mrs. Emmerova, said that especially now during the economic recession, public employees are threatened with exclusion from the administration on the next occasion of restructure if their performance is unsatisfactory. Unfortunately, the existing law for public employees in the

Czech Republic offers so many privileges for the bureaucrats that it sometimes it leads to a sort of arrogance on their part in relation to superiors.

Another very important and outstanding characteristic of the public administration is the general tendency to be involved as little as possible in the publicity of a case of corruption, even as the person who reports it. In most cases, the path of information-giving leads to the journalists who then make the investigation on their own and inform the judiciary system. The police and the courts remain the major institutions that investigate the corruption allegation, while the discovery takes place on the side of the media. Moreover, there is no special institution for monitoring the performance in public institutions.

9.4.4 EU impact in the region

The EU has had a profound impact on the region since it was the European Commission (EC) that first designed it. On 3 December 2007, the EC approved the regional operational programme of the NUTS II region South West (Jihozapad) in the Czech Republic. The programme involves the Union's support for the region, aiming at the "Convergence" objective. The total budget of the programme is around EUR 729 million and the EU investment through European development funds amounts to EUR 620 million, representing almost 2% of the total EU money invested in the Czech Republic under the Cohesion Policy in 2007-2013.

The EU Cohesion Policy is meant to put more emphasis on a territorially integrated approach to solving economic and social cohesion issues, at the same time with the decentralization of power. As the programme supports small- and medium-sized municipalities as the growth poles of rural areas, it meets the requirement of a harmonious and balanced territorial development. As a result of this programme, 105 new jobs are expected to be created, 20 km of new roads constructed and 200 km of roads renovated. A regional airport is being restructured and the number of tourists visiting the Jihozapad Region should increase by 250,000.

Overall, the global objective of the programme for the period 2007-2013 is to increase the competitiveness and attractiveness of the region for long-term sustainable growth in the quality of government (QoG), as well as greater quality of life among its inhabitants, along four major priorities:

- *Accessibility of centers* – to improve the transport accessibility of regional centers to other municipalities and towns in the region. The regional transport infrastructure will be connected to the Trans-European Transport Networks (TEN-T);
 - *Stabilization and development of towns and municipalities* – the aim is to stabilize rural areas through balanced development of towns and municipalities;
 - *Development of tourism* – the objective is to increase the primary potential of the region and to strengthen the economic importance of tourism and

culture as tools for stabilization and diversification of the economic base in rural and urban areas;

- *Technical assistance* to implement the programme. Financial support is also available for covering administration, monitoring, communication activities and control.

European regulations have had an obvious positive impact in bringing a small share of good Western European practices in matters of public administration in the Jihozapad Region, according to the experts. Mr. Vaindl, from his perspective as a journalist in the region, mentioned the great impact of EU integration on the transparency of administrative regulations, enabling the access that new firms to the market. Similarly, professor Cabada mentioned the improvement in budgeting and control of budgets in public institutions after entrance into the EU.

However, the most visible positive part of the European integration seems to be student mobility, which helps to change old-fashioned mentalities and possible pre-conditions for inefficient government, impartiality and corruption. On the other hand, a specific problem in the public education system of the region, this time mentioned by the Governor, is the lack of competence in managing the public. According to her, insufficient importance is given to the education of skilled workers and there are too high expectations that support only institutions of higher education.

On the negative side is the impact on hospital personnel and health care in this region particularly, because of the close proximity to Bavaria, and in the Czech Republic in general, due to the large number of highly qualified persons who preferring to work in better positions, mainly in the United Kingdom and Germany, and leave the regional hospitals that are not managed well enough. Further, Mrs. Emmerova underlined the negative impact of EU integration, giving the example of European regulations on higher education in the medical sector. Too many specializations have been introduced, wasting too many resources, to make the West Bohemia University able to offer students such a wide range. Moreover, the police have not undergone any visible change after entrance into the EU. Unfortunately, even if police managers have multiple contacts and information exchanges with their Western European counterparts, the police corps is still lagging in performance.

The Jihozapad Region as a NUTS II unit has unfortunately been unable to absorb all the available structural funds provided by the European Union because of the poor management described by Mr. Emmerova, also a vice-president of the board of the region. For example, the region has lost two billion euro in investments from the EU because the president of the board of the Jihozapad Region is being prosecuted for mismanagement of public funds, blocking for the meantime the processes of investment.

The most positive aspect in relation to the public administration in the past ten years seems to be the regional self-government, in spite of all the apparent mistakes that had been made in the process of administrative reform. Unfortunately, the regional government is too limited by the central government and the national Parliament in its decisions about the regional budget.

9.4.5 Regional autonomy

The prospect of entering the EU definitely influenced reform processes in the candidate countries, mainly due to the need to adopt the entire *acquis communautaire* before acceding. The administrative structures had to be reformed at the regional level in a way that would permit efficient management of structural funds. In this way, the European Commission indicated a preference for democratically elected self-governments, equipped with substantial financial and legal autonomy. The most positive outcome, namely the cross-border cooperation between Germany, Poland, the Czech Republic and Austria, reinforced the regionalism in post-communist Europe and reinvigorated the sub-national dimension of politics, in the quest for a better accountability of the administration and a higher QoG.

To more precisely define the concept of decentralization, it is necessary to remember that it in fact covers a wide range of possible ways to divest the political responsibility from the central government to outside organizations – sub-national governing bodies. The literature distinguishes between three modes of decentralization – *deconcentration, devolution and delegation* – the first of which was chosen in the process of administrative reform in the Czech Republic. Deconcentration as such represents the transfer of limited responsibility from the central government to the lower levels of administration. In this situation, the regional authority, local government or special agencies represent the prime minister at the local level, although it is not a legal self-governing entity²⁰⁶.

Regarding the level of autonomy enjoyed by the regional government in different administrative matters, the experts maintain that the recruitment of public staff is completely dependent on the regional government. The structure is not completely autonomous but relies on the national legislature, while there is no elected regional parliament. On the other hand, incentives for foreign investment and allocation of foreign investments are entirely a matter of the Jihozápad Region.

However, tax administration is regulated only by the central government, leaving in the hands of the decentralized offices only the small local fees (e.g. parking fees) and those related to the service sector. Most of the budget revenues are thus provided by central government transfers. Regional autonomy is only related to budget management, even if the precise sum of available funds is decided by the central government. The main areas of competence in the regional administration are budgeting education, the health care system and the infrastructure, in a top-down hierarchy coordinated by the central government.

9.4.6 QoG in welfare services

The health care system was mentioned as being extremely fair and without signs of corrupt behaviour. One of the main rules enforced by the Czech authorities is to offer these services all persons, equally and impartially. As regards law enforcement, lack of

²⁰⁶ Jennifer A. Yoder, “Decentralisation and Regionalisation after Communism: Administrative and Territorial Reform in Poland and the Czech Republic”, in: *Europe-Asia Studies*, Vol. 55, No. 2 (Mar., 2003), p. 264;

information was mentioned as a possible bias in giving an objective opinion of fairness. However, according to the experts, this area of public service showed the highest probability of corrupt activities, related to protecting organized crime. Finally, there is no special legislation or strategy to enforce an even better level of QoG, all the practices relying on certain “codes of conduct”, which only play the role of recommendations to the lower levels of administration.

9.5. Conclusion

The research conducted in the Jihozapad Region highlighted several inter-related explanations for the good performance of the regional governments in the region in terms of public services and citizens' confidence in the administration. First, the economic performance of the region is based on an already historical tradition in industrial production, with strong investments in this sector since the times of the Habsburg Monarchy, especially in the production of machinery. In this context, a strong technical education system emerged, preparing a large base of skilled workers.

Moreover, in the post-communist transition and later with EU integration, the geographic proximity to the German area of Bavaria and government investment in the transport infrastructure have led to easier access to the German capital, for investments in a region with a strong German background and leading to strong economic growth, as well as, to a certain extent, good administrative practices. Another important factor in the exceptional development of the region is the Cross-border Cooperation Program between the Czech Republic's central government and the regional government of Bavaria, on the German side of the border, as described in previous sections.

On the other hand, the interviewees underlined the insufficient degree of regional autonomy in self-government, confining its influence to only budget expenditures, after financial resources have been allocated by the central government in Prague. Moreover, the "good QoG practices" of a completely professional bureaucracy are not a certainty at the regional level throughout the Czech Republic. As was mentioned by the representatives of the regional government, a large part of the employees had used personal and political connections in the application process and subsequent competition between job candidates. Evidence points towards another example in which political involvement in the bureaucracy and high-level corruption evolve in parallel with strong economic growth and satisfactory performance in the provision of public services.

10. Pais Vasco (ES21)

By: **Mauricio Hernández Ramírez**²⁰⁷

10.1. Introduction

The NUTS 2 Region ES21, Pais Vasco (*the Basque Country*), represents an interesting case in Europe. According to the results of the quality of government index (QoG Index) elaborated by The Quality of Government Institute in 172 regions of 18 countries in the European Union²⁰⁸, Pais Vasco registered one of the highest values in the study, 1.021, enough to place this Spanish region in the 25th spot of the ranking; this is the highest of all of the Iberian Peninsula.

On the basis of the superior behaviour registered by Pais Vasco, The Quality of Government Institute decided to include this Spanish region in a qualitative study to gain deeper insight into the reasons why the region registered such high values in the index. With that objective in mind, the data and information included in this research were collected through a series of personal interviews with experts in different academic and professional fields held in different cities in Pais Vasco during the second week of May 2010, complemented with other secondary sources of information consulted²⁰⁹. The high placement of Pais Vasco in the quantitative part of the Quality of Government Index was not a surprise to the experts consulted. In fact, most of them agreed with the high value of the index and the high perception of the quality of government in Euskadi regarding the three core variables measured: education, health care and law enforcement (including the role of police and courts of justice). The same can be said about the good perception of transparency in regional elections, although when the media role was regarded as a transparency advocate there was more variability in the positive perception. For the sake of comparison, this report contrasts several of the factors contributing to, and resulting from, high QoG with the lowest ranking QoG region in the Iberian Peninsula, Norte (PT 11).

10.2. The Region of Pais Vasco: Demographics²¹⁰

Pais Vasco (Basque Country, in English) or *Euskadi*²¹¹ is an autonomous community with a surface of 7,234.8 sq km and over 2.14 million inhabitants, located in the north of Spain. Its geographical limits are, to the north, the Cantabric Sea and France, to the south, La Rioja. to the west, Cantabria and Castilla-León, and finally Navarra to the east.

It is composed of three provinces or “historical territories”: Alava, Bizkaia and Gipuzcoa. The capitals of these provinces are, respectively: Vitoria, Bilbao and San

²⁰⁷ MsC University of Gothenburg

²⁰⁸ Charron, Nicholas et al. (2010) “Measuring the Quality of Government and Subnational Variation. Report for the European Commission. Directorate-General Regional Policy. Directorate Policy Development. To be published.

²⁰⁹ For further information on the methodology used for the interviews and secondary sources consulted, see the Methodological Appendix at the end of this paper.

²¹⁰ Unless stated otherwise, the source for all data included in this section is Eustat, “*Euskadi en la UE-27*”. Available in http://www.eustat.es/documentos/EUSKADIEU27_2009_c.pdf All data for 2008. Consulted May 16th 2010.

²¹¹ As it is also defined by the Statute of the Basque Autonomy.

Sebastian. Vitoria is considered the administrative capital of País Vasco²¹². Bizkaia is the province with the largest population density in País Vasco, mostly because the Bilbao Metropolitan Area (Gran Bilbao) concentrates around 42% of the total population. The population density is 296.9 persons per km², more than double the EU-27 average and similar to that of Northern European countries such as the United Kingdom or Germany. More than 68% of the total population is between 15 and 65 years old, and 18.7% are over 65 years. The life expectancy in Euskadi is 77.2 years for men and 84.3 years for women²¹³, being the third highest of all EU-27, just below France and Spain.

Since the beginning of the 1980s País Vasco has experienced steady economic growth. In terms of GDP per capita, growth has multiplied 2.2 times between 1985 and 2006 in real terms. Measured by PPP (Purchasing Power Parity) in Euros for 2008, the GDP per capita in País Vasco is above the average for France, the United Kingdom, Switzerland and Denmark, and well above the average for the 27 countries of the European Union. The unemployment rate is one of the lowest in the EU-27²¹⁴, and the public debt is the second lowest of all the EU-27, just below Estonia.

In terms of productivity, País Vasco also has a strong position, as it registered the third highest level of labour productivity by employed persons when compared to the EU-27 countries, behind only Luxembourg and Ireland²¹⁵.

One of the more striking characteristics of the current population pyramid is the high concentration of people between 15 and 64 years old, and a very low presence of persons younger than 15 years. Improvements in innovation and productivity are needed in order to work on this shortcoming caused by the age structure of Basque society, especially a carefully planned policy of immigration.

10.2.1. Regional Autonomy

Article 2 of the Spanish Constitution of 1978²¹⁶ recognizes and guarantees the right to autonomy of nationalities and regions that make up the Spanish State. País Vasco is defined as one of 17 autonomous communities in Spain, and hence its government has a recognized legal status with the right to establish regional laws and other important prerogatives. País Vasco has its own flag, anthem and language (*euskera*, which besides Spanish is spoken in the region). The basic institutional norm in the Basque territory is the Autonomy Statute of País Vasco, promulgated on December 18th 1979.

The Statute gives the País Vasco or Euskadi - as legally defined by this legislation²¹⁷ - an important number of exclusive authorities including education, public health, justice, pensions, police and extensive taxation rights.

The Basque Government also has exclusive authority over the recruitment process of its public servants and has a governmental agency in charge of this task (IVAP, the Basque Institute of Public Administration), hiring and forming the civil service for the

²¹² This is not officially though, just administratively.

²¹³ Data for 2006

²¹⁴ It was 3.8% in 2008 (compared to 12.2% in 2000), just behind of The Netherlands (2.8%) and Denmark (3.3%), and at the same level than Austria (3.8%) for that year. Source: Eustat, "Euskadi en la UE-27". Available in http://www.eustat.es/documentos/EUSKADIEU27_2009_c.pdf Page 17. Consulted May 16th 2010

²¹⁵ The data for Basque Country here is for 2007.

²¹⁶ Text found in http://noticias.juridicas.com/base_datos/Admin/constitucion.tp.html#a2

²¹⁷ Text found in http://noticias.juridicas.com/base_datos/Admin/lo3-1979.html

public administration. It is evident that the regional government has more core authority, autonomy and larger self-government capacities as compared to other regions in Spain.

10.2.2. Authorities of the Regional Government, Provinces and Municipalities

According to the Statute (Art. 24), besides the Basque Government and its president, or *Lehendakari*, the Provinces, or *Diputaciones Forales*, also organize their own administration, with their own responsibilities and authority. It is essential to understand that the types of authority illustrated in Section 3.1 of this paper are instrumented by a number of regional political actors, particularly two: the Regional Government (commonly known as the Basque Government) and the Provinces (*Diputaciones Forales*). The Municipalities (*Ayuntamientos*) have their own types of authority as well, but evidently are only circumscribed to their own territories.

The Regional Government has its headquarters in Vitoria, and it is responsible, for example, for education, health care and the police. On the other hand, the Provinces (*Diputaciones Forales*) are responsible for such as issues as urban development and infrastructure.

Most importantly, the “Diputaciones Forales” in Pais Vasco have financial power, as **they are responsible for the collection of the general income and corporate taxes**. Furthermore, each of the three provinces has its own tax regime, and they subsequently transfer part of these funds to the Spanish central government, the Regional Government and the municipalities²¹⁸. **The provinces are in charge of collecting almost the totality of the public funds to be used in Pais Vasco**. Because of this financial power and other important types of authorities, the Provinces and the Basque Government are quite dependent on their mutual cooperation and coordination.

10.3. Indications of the Impact of QoG in the Region

10.3.1 High capacity of association

Experts also point out the relatively high level of associationism at all levels of the Basque society. In other words, experts state, for Pais Vasco, something similar to what Robert Putnam (1993), in his pioneer study of the generation of social capital, argued for the northern regions of Italy. In particular, according to the Basque experts, the large number of cooperatives in Euskadi is an important sign of a proneness to association. The entrepreneurial component of this culture is very large, and also collectivist. The rural Basque culture also shows the “communal construction”, how people put their efforts into solving the problems of the community. Corporación Mondragon, one of the largest cooperative firms in the world and one of the largest companies in Spain, is a Basque cooperative.

Euskadi also has a large number of Non Governmental Organizations (NGOs). According to the opinion of one expert, in the area of cooperation for development is one of the regions in Europe with the most NGOs. Again, the high capacity for association and the presence of a large number of cooperatives, associations and NGOs might be a good indicator of high quality of government, since these organizations look for better conditions in which to operate and have found them in Euskadi.

²¹⁸ This is legally ruled by the so-called “Concierto Económico”, which is another piece of legislation regulating the tax regime in Pais Vasco, and will be analyzed below.

This contrasting political participation is also evident by the prevailing lack of organization and difficulty to fight for a cause which apparently exists in Norte, where the number of NGOs is fewer and confidence in political parties is very low.

10.3.2 The Party System in Pais Vasco

From 1980 and until 2009, the Partido Nacionalista Vasco (PNV- Nationalistic Basque Party) was in charge of the Basque Government, and also of the Provinces (Diputaciones Forales). After the regional election of 2009, the PNV did not reach an absolute majority in the Basque Parliament and, as a result, the Partido Socialista de Euskadi (PSE) and the Partido Popular del País Vasco (PPV) formed a coalition to govern.

This new political circumstance represents a test for the Basque institutions and the high perceived quality of government. It is an opportunity to verify whether institutions work well regardless of the party heading the regional government, because the political circumstances require a close collaboration and construction of agreements between two public administration bodies, now headed by two different political forces: a Basque President from the Socialist Party and a General Deputy from the PNV in each of the three Provinces or Diputaciones Forales.

10.3.3 Strong communication skills and teamwork in public administration

Certainly both a consequence and ongoing cause of regional QoG, intra-governmental communication is strong in Pais Vasco. In some instances of the Basque Government, from the regional government to at least the largest municipalities, public administrations have also worked with team management and intra-departmental communication, because it is considered that, with cooperation, the resources are more efficient, and no overlapping between different areas will occur. In that way public resources are saved. That is why it is important that government employees know each other through the different areas and not only have impersonal contact by telephone, for example. Communication workshops and other integration exercises have been held between different working areas to work on this issue, with the idea that is not enough for one employee to be very good in his/her area but does not have a good relationship with others, because there is a high risk that, for the whole government process, the results might be not effective. Much work has been carried out with the cultural topic in order to understand that in public administration the objective is not the “department” work, but a “government” job as a whole, oriented to the satisfaction of the citizens.

10.3.4 Regional Competitiveness

Certainly, a relatively high level of QoG in the region has led Pais Vasco to be among the most competitive regions in Europe with respect to a number of social and economic factors related to development. The *Basque Institute of Competitiveness* at Deusto University has undertaken much comparative research about the competitiveness of Pais Vasco. According to the Second report on the competitiveness of Pais Vasco (2009) elaborated by this institution, and taking the GDP per capita as the basic indicator of regional competitiveness, Pais Vasco shows a very favourable position. In terms of per capita GDP expressed in PPP (Purchasing Power Parity), Euskadi has only seven countries ahead of it: Luxembourg, Norway, USA, Ireland, Iceland, Switzerland and Holland. Furthermore, it ranks above not only the average for Europe, but also above

countries as technologically advanced as Sweden, Finland or Germany²¹⁹. However, this favourable position is not directly related to available indicators of innovation, which according to Porter's Model are the decisive factor for competitiveness in advanced countries. An indicator known as Regional Innovation Scoreboard (RIS), which measures the level of innovation, ranked Pais Vasco in 55th place of 208 regions in the whole EU. This is not a bad position, but still reflects that the high level of GDP per capita in Pais Vasco is well ahead of the innovation capacity, which still shows some weakness. However another indicator of innovation, the European Innovation Indicator, placed Pais Vasco slightly higher than the European Union average, and much higher than the average for Spain²²⁰.

In other indicators of competitiveness like employment rate and productivity, Pais Vasco ranks fairly well compared to other European regions. For a sample of 188 regions, Euskadi has 34 ahead of it in employment rate terms and 33 in productivity²²¹. Regarding the employment rate, some of the regions ahead of Pais Vasco are other autonomous Spanish communities, such as Cataluña and Madrid. Regarding productivity, the economic sector with the highest productivity is the industrial one, although the service sector also shows a very good behaviour. The level of productivity in these sectors is much higher than that observed for the average of Spain²²².

Moreover, Pais Vasco registers a very good competitiveness level compared to other regions, measured by GDP per capita, employment rate and productivity, but must continue to work on innovation. Some measures have been already taken to improve innovation. Some years ago, *Innobasque*, a non-profit association, was created with the support of the Basque Government and more than 1,000 Basque firms, with the clear objective of improving the innovation factor in the region.

According to the experts, Pais Vasco adopted at the end of the 1980s the competitiveness model of Michael E. Porter, known as "The Diamond Model". One of the most famous academics worldwide producing research and models for competitiveness, Porter made a specific study of competitiveness for Pais Vasco, which was the first one elaborated in a territory not considered a formal state. From this collaboration, the Basque Government initiated a public policy oriented to the formation of Industrial Clusters as a regional long-term strategy for economic development.

In comparison with Norte's (PT 11) economy, which is primarily based on the service sector, the economy of Euskadi is predominantly based on the industrial sector. This different productive specialization has created a different set of traditions, work styles, attitudes and even cultural manifestations in the two places. This element might have some influence in the fact that today the Basque economy is a very solid one, whereas Norte's economy is much less competitive. Further, Norte is experiencing a decline in competitiveness, due to an unequal distribution of resources within the region, a lack of a qualified labor force and investments in infrastructure, lack of planning and organization, among other reasons.

²¹⁹ Ídem, pp 91

²²⁰Source: Agencia Vasca de Innovación, INNOBASQUE. Available in <http://www.innobasque.com/home.aspx?tabid=724>. Consulted June 14th, 2010.

²²¹ Basque Institute of Competitiveness (Orkestra). "Second report on the competitiveness of Pais Vasco: Towards an innovation-based competitive stage" Deusto University Press, España (2009) pp 96

²²² Ídem, pp 101

10.3.5 Attracting Foreign Direct Investment (FDI)

A strong argument can be made that strong institutional capacity attracts greater levels of FDI. The evidence in this case corroborates this claim in that the level of FDI in Pais Vasco, proportionally, is slightly higher than in other regions of Spain. According to a promotional booklet from the SPRI, with official data:

“In the last years the participation of the Autonomous Community of Pais Vasco in inwards of Foreign Investment is between 5% and 6% of the total, just behind Madrid and Cataluña. Most investments come from EU countries, nonetheless in the last years the United States of America are gaining more weight in the foreign investment countries ranking, especially in the most technologically advanced and higher growth possibility sectors. Currently, more than 700 firms established in Pais Vasco have significant or higher participation of foreign firms”²²³.

It was also noted that the potential for FDI is even greater, since Pais Vasco attracts less FDI than expected based on its GDP²²⁴. Here is another important factor to be considered, called the “headquarter” issue: a large number of foreign companies install their headquarters in Madrid, and thus many of the foreign investments appear as registered in that community, even though their real activity is carried out in Pais Vasco. Considering this, the official FDI statistic underestimates the real level of foreign investment registered in Euskadi.

In the issue of establishing whether the high quality of government perception also reflects how foreign investors see the Basque region, the active actions of the Basque Government to promote foreign investment in the region must be stressed.

Foreign investment has been an important issue for the Basque Government for a number of years, and particular interest has been taken in enhancing this indicator since the beginning of the 1980s. The Basque Government decided to implement a strategy relying on the existent strengths of its productive apparatus, which had particularly focused on the industrial sector. Thus in 1981 it created the “*Sociedad de Promoción y Reconversión Industrial*” (Industrial Promotion and Reconversion Society, SPRI) as a regional governmental body in charge of “*creating and giving impulse to the Basque business environment, promoting competitiveness and positioning the Basque firms outside the country*”²²⁵. Currently, this Basque institution has a network of offices and international agents in more than 50 countries around the world, including most of Latin America, China, Russia, the United States and India, for example. These offices are in charge of attracting companies and giving attention to business people from foreign countries who are interested in investing in or establishing businesses in Pais Vasco. One of the experts praised this network of SPRI offices and said that Pais Vasco firms are the most open to the outside:

²²³ Sociedad para la Promoción y Reconversión Industrial, S.A. (SPRI). “Invertir en Euskadi 2007”. Sociedad Pública del Gobierno Vasco. (2007) pp 16

²²⁴ Basque Institute of Competitiveness (Orkestra). “*Second Report on the Competitiveness of Pais Vasco: Towards an Innovation-based Competitive Stage*” Deusto University Press, España (2009) pp 134-136

²²⁵ Source: SPRI web site <http://www.spri.es/aNS/web/es/presentacion/index.jsp>. Consulted June 20th 2010.

“There is an attraction effect of foreign firms that has to be attributed to a positive perception of Euskadi in comparison to other regions, and surely a high quality of government perception has a role on this. If the region would not represent advantages for location of foreign firms, investors would simply not come”

On the other hand, there was a remark about the fact that the Basque companies have clearly been better at investing abroad than the average Spanish firm. Large Basque companies such as Iberdrola and Banco Bilbao Vizcaya (BBVA), competitive companies in some regions of the world, are well known examples. According to data from the Basque Institute of Competitiveness²²⁶, País Vasco is the autonomous community with the highest percentage of companies with shares in companies residing abroad, higher than that for Barcelona and even Madrid.

10.4. Factors related to QoG in País Vasco

10.4.1. Nationalism

When speaking about País Vasco, it is necessary to analyze the role of nationalism and its consequences for the quality of government and the general development of the region. Most experts commented that there is a strong sense of common identity among Basques, and in this sense they can definitely be considered “nationalistic”. They feel proud to be “*Vascos*” and many people in Euskadi identify more with Euskadi than with Spain. This is confirmed by the latest results of “Euskobarómetro”, a survey released twice a year by the Department of Political Science of the Universidad del País Vasco (UPV/EHU), which in its last edition reveals that 29% of the Basques feel “*only Basques*”, whereas an additional 22% feel “*more Basque than Spanish*”²²⁷. Furthermore, one of the experts commented that, at least in the three main cities of the region, but very likely in small ones as well, local identities are also strong and, in some cases, could be stronger than the regional or provincial ones. According to this statement –supported by one or more of the interviewees- some people identify more with their municipality (Alava, Bilbao or San Sebastian) than with the province, or even with País Vasco.

Hence, with respect to nationalism and its link to higher quality of government in Euskadi, and remarking that any manifestation of violent nationalistic extremism like the one represented by ETA (*Euskadi Ta Askatasuna*) was clearly and strongly rejected, two clearly contradictory hypotheses were formulated by the experts.

On the one hand, some argue that nationalism has been a positive mechanism, leading País Vasco to implement a development strategy based on its strengths and its historical advantages. For example, when the industrial sector was falling in Spain and political

²²⁶ Basque Institute of Competitiveness (Orkestra). “*Second report on the competitiveness of País Vasco: Towards an innovation-based competitive stage*” Deusto University Press, España (2009) pp 136-138

²²⁷ Universidad del País Vasco (UPV/EHU). Departamento de Ciencia Política . “Euskobarómetro, Estudio periódico de la opinión pública vasca”. May 2010. In http://www.ehu.es/euskobarometro/index.php?option=com_content&task=view&id=46&Itemid=103, Page 42.

elites seemed to disregard it, the Basque political elite continued to feel that industry had to be the basis for the regional economy, as it had been before. The region had to build up over its strengths, over its historic legacy, and nationalism helps to fuel these kinds of policies and social attitudes. Moreover, nationalism facilitates the creation of social trust and a “common identity”. Most of the citizens, including politicians, have known each other for many years, and that personal proximity helps to build better relationships and understanding. Following the standard sociological arguments on the generation of social trust, once a state of proximity is reached, it becomes easier to share common vision and goals. Experts emphasize that, despite acute political differences, Basques share a relatively high number of discussion forums and this creates a confident relationship and a certain degree of visibility.

On the other hand, it was argued that nationalism leads to attitudes that do not contribute positively to the construction of a common identity as a country. Nationalism is not the factor that creates good quality of government and a higher level of development in País Vasco, but rather some other elements: a culture of hard work; a business and entrepreneurial regional class that continued to invest in the region despite adverse security circumstances; a developed and autonomous self-government, making it possible to keep most taxes collected in the region. These are characteristics that, according to the experts, are not directly related to nationalism. Unfortunately, no ‘hard’ data or empirical illustrations or narratives were provided to defend these points, which, as all subjective perceptions, must be taken with a grain of salt.

In an attempt to draw a conclusion from both sides, it has to be said that nationalism may have had a dual effect. There is a general perception that the positive effects of it, such as high self-esteem and a sense of common identity, have helped to achieve a higher quality of government than in some other regions of Spain.

10.4.2 Regional Autonomy and Local Control

All the experts consulted referred to this specific characteristic, and specifically to the large financial autonomy, as one of the most important reasons that explain the good performance of País Vasco in the quality of government index. Self-government and autonomy give the regional government greater budget funds, more infrastructure, the capacity to create its own institutional framework and all the necessary elements to give faster, more effective attention to the citizens. In comparison with Norte in Portugal, which is not considered a self-governed region with substantive autonomy, País Vasco is legally considered as an autonomous community, with its own government and legislative bodies.

10.4.2.1 Specific institutional features of País Vasco

With the great autonomy awarded to the region, País Vasco has instituted a number of mechanisms that, combined, have contributed to a high quality of government. The core common elements in most of these institutional devices are: First, the creation of proper institutions and rules: SPRI, Euskalit, Innobasque, Zuzenean, Open Government and IVAP, for example. The creation of these institutions guarantees that the areas will keep working in the best way, regardless of the political circumstances or the political parties in power. Second, the adaptation and instrumentation of the most advanced, proved international management, quality and economic models to the

particular characteristics of Pais Vasco and its citizens: the Porter Model of Competitiveness, the EFQM and ISO, for example.

10.4.2.2. Total quality tools: the EFQM and ISO models.

The use of total quality management tools is a very interesting characteristic of the Pais Vasco government. When it was detected at the end of the 1980s that quality was failing, Euskalit -the Basque Foundation for Excellence- was created. It seems to have an important role in the high quality of government observed by the public administration, specifically the high quality perceived in public services, because the public administration procedures are subject to implementation and evaluation according to these tools.

The Basque Government adopted the EFQM Model of Excellence in the 1990s, as a model for quality in public management. The European Foundation for Quality Management is a dynamic total quality model, similar to the Japanese DEMIN or the American Malcolm Baldrige. The premise of the EFQM model is: *“The client and employee satisfaction and the impact in society are achieved through a leadership that impulses the strategy and policy, the people of the organization, the alliances and resources, and the processes towards the achievement of excellence in the organization’s results”*²²⁸. Some of the objectives of using the EFQM are improvements in planning capacity, management and internal control of organizations. Other complementary reasons were improvements in worker participation, teamwork, motivation and communication, and human resource management.

This seems to be a very important aspect of the administrative process in Pais Vasco, at all levels of government and in the business environment. In the Bilbao Municipality the use of the EFQM self-assessment model is one of the main pillars of the whole administration, and all the administrative processes and their evaluation are subject to the model. Euskalit has promoted the EFQM model in both the Basque public administration and in Basque business firms.

The preoccupation with adopting total quality models in the Basque public administration is not new. According to previous research²²⁹, ISO9001 standard certification levels in Spain are among the highest in Europe and are particularly intense in Pais Vasco, where certification has been present not only at the level of medium and large companies but has been growing especially among small businesses. These results are also strong regarding the use of the EFQM model, since 15 instances of international recognition by the EFQM European foundation were obtained in Pais Vasco, putting it at the same level as an economic power such as the United Kingdom, and ahead of countries like Hungary and Turkey, which are also committed to the adoption of the EFQM model.

10.4.3 Transparency in the public administration

Work has been done on transparency in the government in Pais Vasco at all levels. In the most recent years a number of pioneering initiatives addressing this have been

²²⁸Source: Fundación Vasca para la Calidad, Euskalit. Available in <http://www.euskalit.net/nueva/elmodeloefqm.php> Consulted in June 3rd 2010.

²²⁹ Heras, Iñaki et al. “Quality Management and Competitiveness of Basque Firms”. Orkestra, Basque Institute of Competitiveness. Deusto University Press. (2008)

implemented at the regional level, making the region a national model of transparency compared with others in Spain. Even at the level of municipalities, the results have been very positive. For example, in 2008, the Municipality of Bilbao was nationally recognized as the most transparent in all Spain, and it was awarded second place in 2009²³⁰.

10.4.3.1 Institutions for Transparency and “Open Government”

The Basque Government has three basic mechanisms and institutions that are in charge of transparency and public information to the citizens about its activities: *Open Data Euskadi*; *Irekia, Gobierno Abierto* (Irekia, Open Government) and *Zuzenean*. It is important to note that both mechanisms were launched by the new administration, and both initiatives began operating just this year, 2010. With this, the Basque Government became the first regional administration in the whole country to post all its public information on the internet. Nonetheless, it is also fair to note that these kinds of open government initiatives are very recent activities in all of Spain, not only in Pais Vasco.

1) *Open Data Euskadi* is the official website for public access to information on the Basque Government. All public information not restricted by privacy, security or property reasons is available on the website, given the fact that the information is exposed under open property licenses. Thus, it is redistributable even for commercial purposes. The determination of the particular exceptions to openness is based on the lines established by the European Commission according to the MEPSIR Inform (“Measuring European Public Sector Information Resources”)²³¹.

2) *Irekia, Gobierno Abierto* The objective of this website is to open a direct channel of communication and participation in the decisions taken, or to be taken, by the Basque Government, and its citizens. The agency’s website was launched in 2010 and its main pillars are:

- Transparency: the Basque Government executive will provide in real time, through the website of the agency, information and data on its activities, plans and intentions.
- Participation: every law, decree, measure or decision of any kind taken by the government can be debated, assessed, criticized and complemented, even before its elaboration, with the opinion of the citizens.
- Collaboration: the agency is intended to function as a direct link from the Basque Government with citizens, firms, NGOs and the rest of the Basque administration.

²³⁰ Transparency International. “Índice de Transparencia de los Ayuntamientos (Municipal Transparency Index)” 2008,2009 Available in http://www.transparencia.org.es/ITA%20-%202009/COMPARACIONES%20ITA%202009%20Y%202008/Ranking_Transparencia_Global_2009-2008.pdf. Consulted May 11th, 2010.

²³¹ Acuerdos adoptados por el Consejo del Gobierno Vasco 29/12/2009. “El Gobierno Vasco ordena el inicio del proyecto de apertura de los datos públicos”. In http://www.lehendakaritza.ejgv.euskadi.net/r48-11692x/es/acuerdos/indice3_c.apl?Fecha=29/12/2009#DPTO1. Consulted June 23rd 2010.

3) *Zuzenean, Atención Ciudadana (Zuzenean, Citizen Attention)* This is the official agency of citizen attention in the Basque Government and has been working for some years now. It provides personalized attention through its three offices (one in each province capital, Bilbao, San Sebastián and Vitoria) and also via telephone and the web. Some of the main services provided by this agency are general and particular information about governmental procedures; registration of documentation provided by citizens, firms and organizations; certifications and accreditations; and it receives some public payments and channels complaints and suggestions for public departments or officials.

These very recently created institutions have yet to be evaluated, but the mere fact that they exist at the regional level is seen as an important step towards transparency, putting País Vasco ahead of other regions of Spain. Some criticism was mentioned, however, in that these channels of communication with the citizens go mainly via internet, with a loss of personal attention. The exception is *Zuzenean*, but it has only three offices that are open to the public in all of the Basque territory. The internet access to these institutions makes it easier and more comfortable for that part of the population that has access to computers, but makes it complicated for those with no access to it. This is relevant considering that most of the population of Euskadi is not very young, and it is then perceived as a deficiency of the system.

10.4.3.2 Culture of transparency in the public administration

It was remarked that transparency generates a culture in which the government does not want to hide anything. Instead, it is eager to show how the budget has been planned and assigned to the different areas and programs, and how the public funds have been managed and spent. The transparency culture is a relevant topic both inside and outside the Basque public administration. Inside, it is a very important cohesive element for all the members of the administration, because it makes them feel part of a team and working to ensure that all procedures work out well. The bottom line is that transparency makes it easier for the public employees to understand that everything they do is linked to some other line or objective in the government's plan. Transparency measures are intended to make employees understand that it is not their service that is important, but that the citizen is the number one priority and needs to be satisfied with the service. The service itself is not the focus of attention; the citizen is.

A common understanding was also found of how corruption negatively affects the public administration. There is agreement that corruption is a disappointing element that leads to frustration and stops both citizen and employee participation. When someone honest realizes that another individual gets things done in an easier way with corruption practices, frustration surfaces and corruption is seen as a legitimate way to get things done. If both public employees and citizens perceive that politicians are the main beneficiaries of the actions implemented by the government, they will not want to participate in any public process: from elections to programs and projects. That is why transparency is important, because the administration is then making a major commitment beyond the mere election process.

Even though the level of corruption is not perceived to be high, there were some opportunities for improvement, particularly three.

- 1) Tax declarations, because it is perceived that some citizens hide information or declare less income to the provincial governments (*diputaciones forales*) than they really earned.
- 2) The existence of cases of corrupt practices in the assignation of public contracts, mainly in the construction sector. This has been observed mainly as a source of financing of political parties, not particular individuals.
- 3) There is some perceived discretion in government subventions, especially with a relevant part of the total budget (one of the experts said around 10%) which is assigned directly without public contest. It is there that more transparency is needed, because the current rules allow that type of discretionality.

It is also necessary to improve the utilization of existing mechanisms to combat corruption inside the Basque Government. While the instruments are there, they need to be used in a better way with more supervision and sanctions. The sanction side is perceived still to be weak, since punishments are not being given. In the recent past, the Basque Government has created new institutions and instruments to reinforce transparency practices in the public administration. These initiatives will be commented upon in the next section.

10.4.4 Recruitment and Hiring in the Public Sector

There is a perception that the recruitment process in public administration is transparent and fair, especially in the lower and medium levels. This is because the recruitment and selection of public employees in Pais Vasco is a responsibility of the Basque Institute of Public Administration (Instituto Vasco de Administración Pública, IVAP), a government institution created in 1983. It is also in charge of the training of employees, as well as the introduction, diffusion and application of *euskera*, the Basque language, in the public administration. It is an autonomous organization that exists under the Department of Finance of the Basque Government. Hence, through this institute, Pais Vasco has a civil service for most low to medium level positions in the public administration. Having a bureaucratic organization in charge of hiring public employees, with its own standards, rules and processes, makes the recruitment operation different than in other regions in Spain.

There is an interesting characteristic of the hiring process in the Basque Government that is implied by the previously mentioned functions of the IVAP: language is an important requirement when a person applies for a position. It is not mandatory to speak *euskera* to get a post in the government, but it certainly represents an advantage since it is a very commonly employed language in daily life. In this sense, language becomes a practical barrier –although not exactly a formal one- to access a job position in the Pais Vasco government, and it creates an implicit preference for natives of the region, given the fact that they are the only *euskera* speakers. Moreover, not all the inhabitants of the Basque Country speak *euskera*, and thus the non *euskera* speakers might confront an additional handicap in gaining employment in their own territory.

This issue has greater or lesser relevance depending on the particular province. For example, it seems very relevant in Gipuzcoa since it is estimated that at least 53% of the

population speaks *euskera*²³². It is less relevant, but still very important, in Bizkaia (31.3% *euskera* speakers); and the most “permissive” province in this language issue would be Alava, with roughly 25.1% *euskera* speakers. It might thus be relatively less difficult for a non *euskera* speaker to find a job in the public administration of Alava than in Guipuzcoa.

Comments were made that work stability for people in the Basque Government is high, at least for lower to middle administrative levels. Salaries for government workers in these lower-middle levels are also very competitive and, in the words of one expert, might be among the highest in Spain. For that reason, it seems a natural aspiration for many young people to gain a job position in the regional government. One expert shared information that, in particular areas of the public administration, more applications were received in 2010 than ever before. For the people already working in the government, the focus is not getting a raise in pay but rather keeping the job. Furthermore, it is becoming very common that people are even willing to agree to lower salaries in exchange for keeping a job position they already have.

The perception in Norte however is that the hiring process is not impartial compared with in País Vasco, where personal connections seem to matter much less. Again, this could come from the fact that, in the País Vasco, a public regional institution is in charge of recruitment, with clear rules. This task still depends on the central government in Norte, so the perception that family ties or favoritism will be the decisive factor predominates there.

10.4.5 The EU’s Impact on the Region

There is a clear general agreement on the positive effects of the quality of government in Euskadi ever since Spain joined the European Union, and particularly the Euro Monetary Zone. It was clearly argued that Spain as a nation has been one of the greatest beneficiaries.

According to the experts, joining the Union was perceived by the large majority of the Basque population as a big step into modernity. Economic benefits were also evident since the entrance of Spain into the Union. Spain received a great deal of cohesion funds and, even though the Basque Country was not considered a Convergence Objective Region (Objective 1), the funds channeled to Euskadi have been used to foster the research and development (R&D) sector, resulting in a huge step into modernity and industrial innovation. At the same time, having a currency like the Euro, not continuously losing value as previously happened with the Spanish “peseta”, brought a positive effect of stability and certainty to all economic transactions, both internally and externally.

One of the experts had a different perspective, however. While joining the Union had positive effects in general for Euskadi, economically, the benefits are more evident in the case of the government than for ordinary citizens. Public and private investments have become easier, but there is also the perception that the Basque citizen lost some purchasing power and has not yet been recovered because of an inflationary effect caused by the Euro when it was adopted. There were only some winners in that situation,

²³² Figures in this paragraph are from Eustat (2008). “Crece en 118,000 el número de euskaldunes entre 2001 y 2006”. Available in http://www.eustat.es/ele/ele0004700/not0004712_c.pdf. Consulted June 16th 2010.

and they were the ones who obtained economic dividends, benefits and a rise in personal capital.

In the most general opinion of the experts consulted, the future perspectives seem very positive as a result of being part of the European Union, especially from the perspective of the change of standards. Economically, however, the perspectives are not that clear in the middle of a huge economic (financial) crisis that is affecting all of Europe, and most particularly Spain. Pais Vasco cannot just be set apart of this reality. However, they consider that the fact of having a stronger industrial economic sector, compared with other regions in Spain whose economies are based only on services or the construction sector, will give them a better position to confront the crisis and remain in better shape for the future.

10.4.6 Media in País Vasco

The regional media in Pais Vasco are very influential. They have the capacity to set up the informative agenda and, according to some of the experts, they sometimes generate the political agenda in the region, over-exposing some topics in their particular interest or leading the public discussion about some topic. There is a consensus among most experts that the Pais Vasco media are not objective. They have power and use it for their own interests, or the interests of those they are supporting. While the media in Norte are also seen as less than completely independent from political pressures, there is a clear general opinion in Pais Vasco that the media are freer now than 20 years ago.

Euskadi has a number of newspapers, most in Spanish with only a few in *euskera*. The most influential by far are “El Correo” in Bilbao and “El Diario Vasco” in Guipuzcoa, both belonging to the same business group, which is also the owner of the national newspaper “ABC” and almost every local newspaper in Spain. The Basque Government has its own public television and radio networks (*Euskal Irrati Telebista, EITB*), dependent on the Regional Ministry of Culture. The director of the channel was replaced with the arrival of the new government in Euskadi, and there is a perception that the editorial position of the network might be, at least slightly, pro-governmental, irrespective of the particular ruling party. Again, no solid data was provided, so one must keep a general skepticism vis-à-vis these statements.

Compared with the situation 20 years ago when the country was just coming out from Francisco Franco’s regime, all experts agree that the press is much freer and on a par with its European counterparts. With respect to the private media, however, according to some experts, information may depend slightly on who the owner of a particular media group is and which are the media groups’s business interests. Finally, over their role as “vigilants” of the government’s performance and a part of the check and balances of society, the Basque media is seen as helpful, but insufficient. Again, no data were provided by the experts, only their subjective perceptions. Nevertheless, we report them since it is interesting to note that these experts’ views tended to be quite consistent and uniform on these points.

10.5 Conclusions

The experts consulted confirmed the high quality of government of Pais Vasco compared with the rest of the regions in Spain. A number of factors analyzed in this research are reasons for the higher performance of Euskadi, some of the most important being:

- A high level of political participation, strongly related to particular historical and cultural elements of the Basque citizens, such as high social self-esteem and a strong sense of common identity.
- The characteristics of the institutional framework in the region with many tiers of government, forcing the different actors to reach agreements to provide public services.
- A higher capacity of self-government based on three core elements: 1) The transference of a great deal of important types of authority to the regional government; 2) The existence of the *Concierto Económico* as a unique prerogative of País Vasco in Spain, giving this regional government the possibility of a much higher availability of public funds compared with any other region in Spain; and 3) a better, more effective management of the greater amount of public funds.
- Nationalism, understood in a non-extremist violent way and in an institutional manifestation, has had both good and bad effects in the higher quality of government in Euskadi.
- Another important element is the creation since the 1980s of a large number of institutions and organizations in charge of different core tasks, for example: competitiveness, recruitment of public employees, industrial activity and foreign direct investment, innovation and, more recently, open government, citizen participation and transparency. This is a very positive element that allows the Basque Government to take charge of the public administration, regardless of the political party in power.
- Originating in cultural and historical factors, and lately also in institutions, there is a strong culture of transparency in the public administration. Even though cases of corruption have been detected, tried and prosecuted, a general rejection of corruption is still present in the Basque society.
- An important level of Foreign Direct Investment, an entrepreneurial tradition, a high capacity of association, a good level of competitiveness, the systematic use of Total Quality systems such as the EFQM and ISO, and specific work on improving communication skills and teamwork in the public administration have also been important elements of support for higher quality of government in Euskadi compared to other regions without these elements.
- There are many areas of opportunity in every area of the Basque public administration, which means that, despite the high perception of quality of government, there is still more work to do.

11. Norte - NUTS 2 region (PT11)

By Tabatha Frony Morgado²³³

11.1. Introduction

This case study is part of the research measuring the QoG (quality of government)²³⁴ index at the sub-national level in 172 NUTS development regions in the EU. The particular object of analysis here is the *Norte* region of Portugal. At first sight, the region presents some special characteristics that warrant a greater in depth investigation. It demonstrates the lowest QoG index in the entire Iberian Peninsula (Portugal and Spain) and ranks among the bottom 13% of the 172 NUTS2 regions in Europe, on a par or lower than the majority of regions from the New Member States (NMS). The goal is to comprehend the potential barriers to this region's development and what retards the achievement of the objectives proposed by the Community Guidelines for Cohesion²³⁵.

Qualitative interviews were held with local experts to bring out the factors that can explain the low QoG ranking presented by Norte. The results of the interviews and further research on the region revealed that, on the one hand, the loss of competitiveness in the regional labour market together with a process of deindustrialization and reconfiguration of the European macroeconomic scenario caused a structural instability in the region. On the other hand, the contrasts in the development of the region's coast and the hinterland helped to foment a culture based on old traditional perceptions that put the region in negative contrast with other parts of Portugal and even neighbouring regions in Spain. This combination of factors, together with the lack of regional autonomy, is understood to be hampering the development of trustable regional institutions, like the media and NGOs, which could facilitate a process of change.

It is important to remark that the local experts unanimously agreed with the low ranking of the region regarding the overall level of QoG. They enumerate as main reasons for the poor performance of Norte the extensive regional deindustrialization and loss of competitiveness. These structural factors, together with a relatively low labour force qualification, have led to a rise in unemployment rates in Norte. In addition, they affirm that QoG may have also been hampered by the lack of regional autonomy, the absence of a balanced budget distribution within the regions and the lack of investment in infrastructure in the Norte region's inland (e.g. roads, schools and universities). Other factors could be the traditional perception in the Norte that the Government tends to favour Lisbon at its expense and the increasing gap in terms of GDP per capita with Lisbon and other Portuguese regions. These factors have reduced, generally speaking,

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²³⁴ Charron et al. (2010) "Measuring the Quality of Government and Subnational Variation" elaborated by the Quality of Government Institute. For further discussion of QoG indexes, see page 4 and footnote.

²³⁵ According to the Cohesion Policy 2007-13, National Strategic Reference Frameworks.
http://ec.europa.eu/regional_policy/atlas2007/fiche/nsrf.pdf

vital opportunities for Norte citizens and consequently led to emigration and brain drain (preferably, although not exclusively) to the coast or to other international destinies (e.g. the neighbour region in Spain: Galicia; France and Switzerland)²³⁶.

This report is divided into four main sections: 2. Historic background and description of the region; 3. Impact of QoG in the region; 4. Causes of QoG in the region – the core of this study, since it provides the results of interviews with local experts, supported by secondary sources. It is organized in seven sub-sections that reflect the discussion with experts and the issues that seem to have special relevance in the literature on the specificities of the Norte region. The structure that follows is similar to that of the questionnaire²³⁷. The conclusions are presented in section 5.

11.2. The Norte region: Demographics and History

11.2.1 Description of the region

First, it must be noted that Portugal – besides some exceptions as the *Açores* and *Madeira* autonomous regions – is a relatively centralized country – especially in comparison to other European countries. Therefore, albeit planning regional units like the North Regional Coordination and Development Commission (CCDR-N) have been set up to cope with the development of EU Cohesion Policies, policy decision-making processes are still relatively centralized. The Norte region is one of the seven NUTS2 regions of Portugal. It can be defined as a territorial administrative subdivision of the country and not as a self-governed region enjoying substantive autonomy from the country's central government in Lisbon. The Norte region borders with Spain to its north and east, the Atlantic Ocean to the west, and the Centro region to the south.

Its population, 3 745 439 inhabitants²³⁸, accounts for 35% of the country's total and is unevenly distributed within its 21,278 km² of territory since around 34% of the region's population is concentrated in the metropolitan and sub-metropolitan area of *Grande Porto*. At the same time, an ageing population in the region, due to a decline in the birth rate, is leading to the fall in the proportion of youngsters and an increase in longevity. Norte is divided into 86 municipalities²³⁹ distributed in eight sub-regions: *Alto Trás-os-Montes, Ave, Cávado, Douro, Entre Douro e Vouga, Grande Porto, Minho-Lima* and *Tâmega*.

The economy in the Norte region is mainly sustained by the services and industry sectors, contributing 65.5% and 32.6%, respectively, to the regional GVA²⁴⁰ (gross value added), with agriculture only 1.8% of the regional GVA. The industries (textiles, electrical material, machinery and footwear) and service sectors are mainly located in the coastal area, especially in the Grande Porto and Ave sub-regions, but is also present in

²³⁶ According to Royo (2005) there have been considerable emigration trends in the Portuguese history. Data from INE (2004) point out that Norte is the region with the highest percentage of emigration in Portugal.

²³⁷ A version of the questionnaire in both English and Portuguese is available in Appendix A.

²³⁸ Resident population in 2008, according to the National Statistics Institute of Portugal (INE).

²³⁹ “Concelhos” in Portuguese.

²⁴⁰ The GVA values are present in the Statistical Yearbook of Norte Region, (INE: 2008).

Cávado, Entre Douro e Vouga and Tâmega. Moreover, the region's economy presents a strong export oriented pattern, reflected in its positive regional balance of trade²⁴¹.

11.2.2 Historic background

According to the literature, important and substantive transformations that occurred in the Portuguese society in the last decades have caused a noticeable structural change. Authors state that, as a result of the specificities of this process, there would be a mix of social elements that distinguish Portugal from more advanced countries. In this sense, some would argue that the country is in a position of intermediate development or that its process of modernization has been based on an "excessive traditionalism" (Gonçalves et al. 2008). That is, in spite of this wave of modernization, Portugal remains very traditional in its views and values. Furthermore, observers consider that the process of structural change in the Portuguese society has to be contextualized in the light of the moment of intensified globalization at which Portugal accedes to the EU. For some scholars, the country would experience several "processes of unfinished modernity" (Machado & Costa *apud* Gonçalves et al. 2008). According to this conventional view, the country would thus still be dealing with the overcoming of internal dichotomies, as well as negotiating its role and place in the globalization context.

11.3. The impact of QoG in the Norte region

11.3.1 Economic Development

Studies²⁴² point out that the Norte region has an unbalanced population distribution, which may hamper its ability to achieve more uniform economic development and, even though it has a state-of-the-art industrial and educational infrastructure, the overall indicators point to important structural problems in its economy²⁴³. The combination of these economic factors can thus be a first hypothesis to explain why the Norte region, concerning quality of government, ranks at the bottom of the distribution of 172 EU regions of this study²⁴⁴ with an overall score of -1.15. This score is significantly lower than the European average (e.g. zero). It is important to remark here that Portuguese within-country variation (i.e. 1.10 standard deviation) is moderate to high if we compare it with the internal variation in other EU members. In comparison to the other 171

²⁴¹ According to INE, Norte was responsible for 36% of the total national exports in 2009.

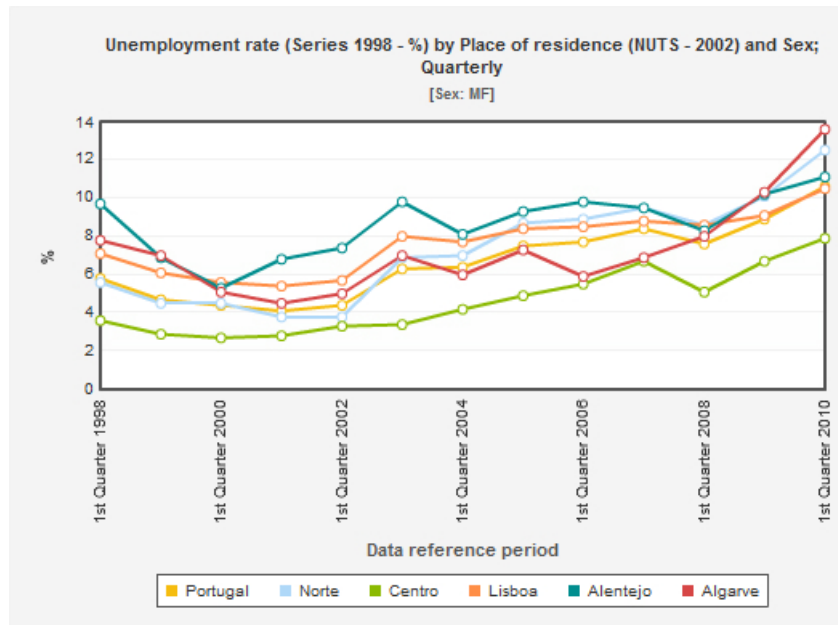
²⁴² Studies provided by INE show that "in recent decades, the distribution of the population has focused more and more on the coast in the mainland and concentrated particularly in urban areas" (Statistical Yearbook of Portugal, 2007: 37).

²⁴³ EUROPA Press Release states that within the overall objectives chosen in accordance with the Community Strategic Guidelines (CSG) the rural areas of mainland Portugal need support concerning the "economic and social revitalization of rural areas" (2007:1). "The main priority is Quality of life/Diversification. Inter-territorial and trans-national cooperation is envisaged" (2007:3). More information can be found at: http://ec.europa.eu/agriculture/rurdev/index_en.htm

²⁴⁴ Indexes are computed for the 172 regions within 18 EU countries. The scores are standardized so that the overall mean is zero and has a standard deviation of one. For complete presentation of the indexes see: Charron et al. (2010) "Part III: Measuring QoG at the Regional Level" of the Report for the European Commission "Measuring the Quality of Government and Subnational Variation" elaborated by the Quality of Government Institute.

NUTS2 regions investigated, Norte figures in the bottom 12%²⁴⁵. When comparing the Norte region's GDP²⁴⁶ with the Lisboa region's GDP²⁴⁷ it is possible to understand that Norte is far behind, not showing any significant improvement since 1992, according to an expert in the region. Besides, when comparing the GDP of NUTS3 regions, such as *Grande Porto*, located in the Norte coastline with that of the countryside, such as *Alto Trás-os-Montes* and *Douro*, the within-region differences become also remarkable²⁴⁸. Therefore, experts consider that both cross-regional and within-region differences matter for understanding the low level of QoG in the region.

Figure 11.1



Norte has had the lowest GDP *per capita* (79.6% of the country average)²⁴⁹ of all regions in Portugal during the last years²⁵⁰. Moreover, the unemployment rate has increased during the past decade and was at the beginning of 2010 above the national mean²⁵¹. This is likely to be one of the consequences of the combination of a high dependency on international markets together with a low-skilled labour force and the constant demands for salary raises. Nevertheless, the unemployment rates have increased in other regions of Portugal as well²⁵². As Figure 1 demonstrates, while the region of

²⁴⁵ Source: Eurostat

²⁴⁶ Eurostat gives the value of 60.3% for the Norte region's GDP-PPS as compared to the EU-27 average (Eurostat, 18 February 2010).

²⁴⁷ The value for GDP-PPS for Lisbon in 2007 was of 104.7% of EU-27 average (Eurostat, 18 February 2010).

²⁴⁸ The GDP *per capita* for *Grande Porto* is the highest within the Norte region: 99.8% . The GDP for *Alto Trás-os-Montes* is 67.6% and for *Douro* is 67.1%. (INE- Statistical Yearbook of Norte Region, 2008:191).

²⁴⁹ INE -Statistical Yearbook of Norte Region, 2008.

²⁵⁰ INE - Statistical Yearbook of Norte Region, 2006, 2007 and 2008.

²⁵¹ According to data provided by the INE, the unemployment rate for the Norte region in the first trimester of 2010 was 12.5% compared to a national mean of 10.1%

²⁵² See figure 2 in Appendix A.

Norte's unemployment rate was among the lowest in the country at roughly 4% in 2002, it is currently the second highest at approximately 12%.

11.3.2 Infrastructure

Regarding the transport infrastructure, it is highly concentrated on the region's coast, which is well connected with the rest of the country by a network of highways, railroads and maritime transport. Besides, the *Grande Porto* district is well served by an underground public transportation system as well as an international airport. This high concentration of transport networks on the coastal area affects the hinterland negatively. The lack of a developed infrastructure affects potential commercial flows with the neighbouring region of Galicia and other strategic regions of Spain. In this respect, the contribution of Structural Funds to the transport infrastructure is being used to improve the internal road system between the coast and the interior, where new highway sections are currently under construction. The connection between different sub-regions in Norte (e.g. *AE Transmontana* and *Douro Interior*)²⁵³ should improve as a result. These road infrastructures are expected to play an important role in the regional trans-European commerce and in fostering the economic integration of Norte.

The underdeveloped infrastructure and low QoG in the region are seen as a hindrance to levels of foreign direct investment (FDI). The local experts understand that the low performance in QoG may negatively affect the way the region is perceived by potential investors. In rural areas, as in the district of *Bragança*, one local expert affirms that some efforts have been made by the local government to attract more FDI to the district. Nevertheless, the lack of transport infrastructure (e.g. roads and railways) hinders the interest of investors, since there is no efficient transport system for shipping local production to other markets. The infrastructure problem is associated with another aspect raised by both the respondents and secondary sources (INE²⁵⁴, PDR-N²⁵⁵ and Eurostat): the unequal distribution of resources within the Norte region itself. In this respect, experts point out two important issues: one is to compare the Norte region with better performing regions, like Lisbon and Alentejo. The other is to compare the urban and the rural areas within the Norte region and then compare those areas with the strongest region of Lisboa, where there are even more asymmetries.

11.3.3 Level of Education

In terms of education, the region has also received large contributions from the Structural and Cohesion Funds. For this reason, the region has experienced a significant improvement in high level education over the years, which is materialized by relatively large universities, such as *Minho* (16,000 students), *Porto* (29,000 students) and *Trás-os-Montes e Alto Douro* (7,000 students). Studies show that *Minho* and *Porto* rank among

²⁵³ Ministry of Public Works, Transport and Communications – MOPTC. www.moptc.pt

²⁵⁴ INE - Statistical Yearbook of Norte Region (2008).

²⁵⁵ A study developed by the National Programme for Rural Development-Norte (PDR-Norte, 2007) brings detailed information on the inequalities existent within the Norte region, especially concerning the rural-urban contrasts.

the best universities of Portugal and present positive attitudes towards knowledge diffusion in the entrepreneurial and managerial spheres²⁵⁶. Nevertheless, the access to higher education still needs to increase in order to foster the links between universities and entrepreneurial systems.

11.3.4 Impartiality in Public Services

Certainly inter-related, the impact of QoG on impartiality in the public sector in the region is strong. Factors such as economic influence, family ties, political influence and cultural differences are mentioned as being the most important elements contributing to partiality in acquiring public services in the region. Besides that, it seems that across Portugal it is possible to point to partiality elements hindering the access to the welfare system.

Concerning education, the experts commented that the main partiality factor is economic influence. This happens because the quality of private education is better than that of public education, and only the children of parents who can pay for that private service are able to have access to it. Even though at the university level the public is considered better than the private one, the economic factor matters in the sense that the children who studied in the best schools are the ones who are privileged afterwards in the selection process at the public universities. Another issue relating economic influence and education is the inexistence of universities of quality in the hinterland. In this sense, parents have to be able to finance their children's education in a bigger city, such as Porto and Braga, where the best universities of Norte are located. Moreover, respondents observe that, in terms of partiality in acquiring education, political influence can also help to "open doors". Cultural differences can also be a partiality issue related to education. Experts note that those who have more access to culture and therefore value it most tend to have easier access to higher education. In this sense, they point to the question of identity, giving the example of the difficulties a gipsy could have in changing her/his children's school in comparison to a person belonging to the majority group in society.

Looking at the health care services, respondents also point out economic influence as a partiality factor: if people can pay they will get better health care. As medical specialists and bigger hospitals are many times located in the big cities, individuals who have the economic means can more easily move and also have faster access to treatment. Individuals with less economic resources will not have access to specialists, and are therefore subject to the existent public services that are offered by the local hospitals. Family and friendship ties are also an important partiality element in the access to health care. The experts agree that knowing a person that works in a hospital can increase chances of receiving more efficient medical attention. Cultural differences in terms of identity can also influence the access to health care services: "a person from the main stream opens the door on the back".

In terms of access to justice, the respondents think that economic influence is the component that most affects impartiality in the access to this service. Here the same logic applies: those who can pay receive the best service (e.g. lawyers), while those who cannot are put aside. Yet, one expert in public administration thinks that, in relation to

²⁵⁶ According to CCDR-N. www.ccdr-n.pt/

education and health care services, the rule of law is still the least partial of the main welfare services in the region. Therefore he has some difficulty giving examples concerning family ties or political influence on law enforcement. In his opinion, even if the judicial system has low performance, it is still a system with some level of impartiality, having some capacity to avoid economic and political influences.

Thus, considering the impartiality levels in three public policy areas (education, health care and justice), experts agree that more transparency in the public institutions would help to affect the regional QoG positively. Yet, the experts noted that, despite all the problems faced in the welfare system, efforts are being made to increase QoG, even though they criticize the way such policies are put into practice.

11.4. Causes of QoG in the Norte region

11.4.1. Regional Autonomy

In 1998 a referendum was held regarding the creation of administrative regions with some levels of autonomy in Portugal. The proposal was rejected by the Portuguese regions with the exception of Alentejo. Nevertheless, the referendum is considered insufficient to measure the real opinion of the Portuguese citizens of the autonomy question, due to the high level of abstentions: 51.71%²⁵⁷. Because of the referendum results, Portugal lacks autonomous regional governments (with the exception of Açores and Madeira) and the Norte region therefore has very low levels of autonomy regarding the organization of its local public administration.

The public administrative structure is quite uniform across Portugal: there are municipalities at the local level and Commissions for Coordination and Regional Development (CCDR) at the regional level. Nevertheless, the North commission (CCDR-N) has no power to govern; it can only support the Central Government in providing information on the region and facilitating the coordination and reception of structural funds from the EU. Thus, even though the CCDR-N can help to coordinate the execution of central administration policies in the region, it faces difficulties in translating these policies into practical implementation.

Considering the design and control of some institutional practices such as the elaboration of regional laws, the control of regional natural resources and allocation of foreign investment, the general perception of the respondents is that there is a very low level of regional and local autonomy. Meanwhile, there can be a moderate level of autonomy in terms of recruitment of public staff and the elaboration of municipal organization charts. Nevertheless, these practices are highly dependent on central legal approval, which make any process of local change relatively rigid and slow.

The processes in the recruitment of public staff and design of the public structure, although allowing some changes to adapt to the needs of particular councils, are generally controlled by Lisbon through a central legislative framework. Mayors can create public employment positions, but the local organization schemes must be approved by the Ministry Council and follow strict national legislation. Regarding the elaboration of regional laws and the control of natural resources, there are low levels of autonomy, since the country is centralized. Local or regional incentives and the allocation of foreign

²⁵⁷ According to DGAI (General Direction of Internal Administration). www.dgai.mai.gov.pt

investment also need approval from the center, leaving very little or no space for autonomy.

As seen in regions like Pais Vasco, experts point out that the decentralization of public services could foster QoG because it would help to stimulate entrepreneurship in the region and municipalities, improving dynamism and helping to release the region's local potentials. They understood decentralization as positive because it increases effectiveness and facilitates decision making, allowing a greater attraction of investment to the region, especially concerning industries and environment. According to them, the region is negatively affected by the excessive dependency on central power? and Portugal is still very concentrated (??). Moreover, they affirm that without autonomy many local or regional negotiations with Spain are jeopardized due to the great dependency on the Central Government's approval. As there is no form of regional government with powers to negotiate for the region, entrepreneurs from Norte depend on officials from the Central Government to sign cross-border agreements and treaties.

11.4.1.1 Autonomy and Legislation

One important deadlock concerning the lack of autonomy is thus the question of legislation. Due to its centralized character, the existing body of legislation blocks a more dynamic regional response to both internal and external factors, such as the case of the economic crisis. Yet, in the experts' view, more autonomy could be "dangerous"²⁵⁸ in the case that Norte would transfer the centralist character to Porto, the region's capital. For them, Porto can continue to function as Lisbon, as the center. That is, the regionalization is not enough, a "mentality change" is also perceived to be necessary in order to bring it to the whole nation and all regions in a harmonic developmental perspective.

Experts point further to the reform of the electoral legislation as a way to bring more power to the region and especially to the smaller councils over local resources and investment attraction. In turn, a revision of legislation would create more opportunities to the populations that migrate to have better access to services and living conditions. They mention the problem of elections by apportionment, where the number of seats in a legislative body varies according to the number of eligible voters in that district. This means that districts with less population can elect fewer representatives. Their conclusion is that the malapportionment of the Portuguese electoral system hinders the political attention to the region, since the politicians tend to do more in areas where the population ratio is higher. One respondent exemplifies this by arguing that Lisbon is the region with the highest proportion of highways per square meter in Europe²⁵⁹.

Another point discussed was tax legislation autonomy. The municipalities in Norte have, to some extent, a tax legislation of their own. The experts mention that municipalities can decide about taxation of enterprises located in their territory (*derrama*). Besides this tax, municipalities can also decide over the IMI (tax on property) and the IMT (movable property). Apart from those taxes, there is no autonomy in the tax collection, since it is made and controlled by the central governmental agency – General

²⁵⁸ The fear of autonomy was confirmed by the negative reception of the mentioned referendum for the creation of autonomous administrative regions in Portugal, in 1998.

²⁵⁹ Regarding the individual regions within Portugal, Lisbon is the one with the highest railway density, as informed by Eurostat (Eurostat regional yearbook 2009).

Direction of Taxes (DGCI)²⁶⁰. Afterwards, the local authorities have the autonomy to use the tax revenues, but their use is limited by national legislation. Although this is a feature common to other regions and local governments in the EU, it is perceived as a problem by one expert who says that the control over the legality of the budget is precarious; the inspection is only made of the form (if it follows the legislation), but no closer evaluation takes place if it is made in terms of transparency and efficacy in the implementation of the tax revenues.

11.4.1.2. Autonomy and EU funds distribution

As regards the distribution of EU funds, experts comment on the problem of budget allocation in the Norte region, analyzing the way regions were defined in Portugal. They explain that regions were made transversally encompassing the coastline and the interior. According to them, this was done to balance the stark contrast between the levels of development in urban areas located at the coast and rural areas located in the hinterland. As the inland is less developed, the whole region appears to have a low development index, but the problem according to the respondents is that afterwards the budget is allocated to the coastline. Thus the respondents understand that the developed urban areas, like Porto and Braga, receive more funds at the cost of underdeveloped rural districts, such as Bragança and Vila Real. The solution to this NUTS2 budget allocation problem would be, in the experts' opinion, to make an effective regionalization and separate the developed regions from the less developed ones, to make the candidatures by NUTS3 and avoid having funds go to the most developed regions in the NUTS2 regions, as in the case of Porto in the Norte region.

11.4.1.3. Autonomy and QoG

The experts think that regional autonomy can, to some extent, increase QoG. However, there is generally some difficulty in perceiving a direct correlation between autonomy and QoG because, for them, it is not easy to believe that there would be an automatic effect, since there are other aspects that have to improve and that take a longer time to change (they mention e.g. the political culture and apathy). Besides, they point out that the QoG is very dependent on the parties' functioning, on those who propose it effectively and, then, on the population's choice. The QoG depends on the people voted into the government. Therefore, according to the respondents, there are more subtle problems related to democracy that affect the perception of QoG across Portugal, not only in the Norte region. One expert in local politics states that, in the new democracies like Portugal, the political parties work in a closed way²⁶¹. Therefore, there are barriers in the sense of accepting new ideas that can collide with the interests of those who are already in. For this expert, the political parties, as they are now, can be considered more problematic to the region than the question of autonomy *per se*.

In all cases, and in spite of the fact that Portugal faces deeper problems related to its democratic evolution, more autonomy is still seen by experts as having dynamic effects. They explain that it would enhance the competitiveness of the region in relation to other regions and would thus be a process of positive change. They add that, in the

²⁶⁰ <http://info.portaldasfinancas.gov.pt/pt/dgci>

²⁶¹ Deeper discussions about the relations Portuguese have with the political parties is found in the study organized by De Sousa & Triães (2008).

globalization context, the central government cannot be afraid of regional autonomy, especially in an EU perspective.

11.4.2. The Media in the Norte Region

Having an independent and strong media is frequently mentioned in the literature as a key factor in fostering QoG in a polity²⁶². As a result, the role of the media was extensively discussed with respondents, who emphasize two important aspects: high levels of dependency on financial support and moderate conditioning of the public opinion. The media, in the expert's opinion, is partially controlled by the market powers – the public administration being one of them – as Municipal Chambers normally appear to be the main sponsors of the local newspapers and radios. There is thus limited room for the opposition to express its opinion in the local media.

The level of confidence respondents have in the news they get from different channels (TV, radio, newspapers and on-line news) is moderate. In the case of TV, experts argue that there is lower confidence in the information about the region, because it gives mainly a stereotyped image of the local conditions. In terms of on-line news, they affirm that there is no independent on-line journalism in the region and that people do not know if they can trust them, since it is not possible to know what powers (sponsors) are behind them. Experts also criticize the on-line agencies and have low confidence in editorials, since many times they are influenced by sponsors.

In the case of the traditional press, the experts affirm that they have greater confidence as this type of media gives different or contradictory views of reality, which is perceived as positive. When comparing private and state-owned media the respondents think that the private-owned media is more reliable, since it seems to report a larger set of news. The fact that the private-owned media has “more voice” and is “more reliable” does not free it from economic dependency, especially with regard to the local media. There is a common perception among the experts that the media has to do well financially so as not to become dependent.

The problem of dependency on funding is thus an important obstacle hindering the impartiality of the news reported by media. In this aspect, all respondents agree that the media sometimes has to give way to the market (political and economic powers). In the Bragança district, for instance, there are newspapers that are more dependent on the market, where political connections play an important role. In many cases the local press has the Municipal Chamber as its main sponsor and thus the media submits itself to the interests of those in power. This submission is seen as conditioning the freedom of press in the sense that one media institution, such as a newspaper or a radio, is more reluctant to permit the expression of a negative point of view about the government or a major sponsor.

Thus, experts tend to see media as not impartial and its economic dependency is also observed in the tendency to be sensationalist in order to sell more. Therefore, the news does not truly reflect the regional reality, unless the facts are perceived to be fit for sale. There is a difficulty in focusing on what is important and to treat with adherence to facts

²⁶² According to Bäck and Hadenius (2008) a free and active media is one of the most important “bottom-up control” institutions a government can have in order to improve its accountability towards its citizens. Treisman (2007), in his account on which factors do really matter to curb corruption in a country, gives special importance to having a free and also widely read press in a country.

what the difficulties are that Norte faces. Moreover, the media is perceived to have moderate freedom to report cases of security, economics, public health and politics and low freedom to discuss corruption in the Norte region.

When reporting cases of corruption, the media gives information about scandals, but again there are restrictions to publishing negative opinions of major sponsors. An expert in the local public administration explains that Portugal currently faces a problem of institutional deviation, where the market forces – including the political powers – lead to a conditioning of public opinion. This is linked to the problem of political culture of some sectors in power; other respondents agreed, affirming that some cases of corruption are subverted by private interests.

One local media expert adds that there is a lack of investigative journalism in the region. This is due to the retaliation that journalists suffer when they report cases of corruption. Besides, he argues, it is seldom that journalists find someone who talks about corruption and it is very difficult to gain access to documents that prove that corruption exists. He also says that people are not very interested in denouncing, since they know that they will face economic and juridical repercussions (e.g. threats of prosecution). Moreover, the media is considered less independent today than twenty years ago. Experts explain that this is the case in the sense that twenty years ago, Portugal was at the beginning of the process of creating a democracy and there was therefore more spontaneity in the way people expressed themselves, whereas today there is some conditioning of the freedom of press. The conditions, as discussed before, can be of an economic, political or judicial nature and they have a relatively large impact on the freedom of press, affecting the impartiality of the news reported by the media, especially as concerns evidence, to show aspects of corruption in local governments. The idea of freedom, however, can sometimes be biased by time, as twenty years ago Portugal was a very recent democracy, coming out of a dictatorship that lasted until 1974. In spite of that, the experts also try to relate the lack of freedom of press today to the existent pressures from the “mainstream”, the market, or even from political influences and private interests.

11.4.3. The Public Sector: Public Authorities and Services

The discussions in this section are based on the perceptions of the experts, and, as a result, they have an important subjective component. Nevertheless, although it is difficult to measure such intangible things as political corruption and personal values, there are some pieces of data and narratives that point in the same direction, for instance, the extensive study on corruption in Portugal coordinated by De Sousa & Triães (2008).

As concerns levels of confidence in different institutions, the experts have a moderate level of confidence in the police, the local governments and hospitals, whereas the level of confidence in political parties is low. This is due to the general perception that political parties “perform poorly”. The experts describe a situation of “party dictatorship”; they understand that there is a lack of democracy within the parties, a “closed atmosphere” where the politicians try to defend their own interests at any cost. Respondents observe that the political parties have an agenda that is not followed by the politicians after they are elected.

In relation to the good conduct of the employees in the public service, it is very difficult to implement processes of change and good practices in the public sector.

According to the expert, the difficulty in enforce compliance is explained by the elevated density of rights, the inflexibility in the management of public service employees and the low mobility of the public career structure and employees' categories. He thinks that only through a profound revision of the law would it be possible to improve the conduct of employees in the public service. The expert in the local civil society comments that in Portuguese society it is very difficult to guarantee the good behaviour of public employees, since there has never been a distinction between a good and a bad employee. She says it affects good practices in the public services explaining that those employees who are competent may give up doing a good job, because in the end there is no system of reward for better performance.

Respondents had difficulties in identifying mechanisms and measures that could be implemented to enforce good behaviour among public employees. According to them, it is not easy to punish an employee unless there is a situation of extreme gravity. Normally, punishing or firing an employee who is not efficient is possible only through abolishment of the service she or he provides. The inexistence of an effective reprehensive system makes cases of punishment so costly that it is not worth implementing it. Thus, there is a lack of caring in the society about doing a good job that results in its not being very urgent to fulfil public employees' duties.

Opinions split were in the discussion of whether citizens would acknowledge the occurrence of a corrupt act in the public services. Some of the experts interviewed think that individuals voice their complaints and that parliamentary inquiries about corruption²⁶³ are proof of this. Other respondents state that citizens are afraid of the consequences. Even though there is a contrast between their answers, the experts agreed on the impact that nepotism and family ties have on the public services. They point to the fact that people act in contradictory ways, since they report cases of corruption and publicly disapprove of it, but at the same time use their connections with family or friends to get jobs for their children in the public sector. On the other hand, the experts argue that some individuals prefer to adhere to the facts, since some of them have families involved in nepotism cases.

As regards the institutions that investigate corruption of public authorities (e.g. NGOs, justice courts and media), respondents were unanimous in the fact that the Portuguese society is overall weak and little active, having difficulty in organizing itself to fight for a cause, like the enforcement of the good conduct of public officials. The experts' perception seems to be in line with De Sousa & Triães (2008) as concerns the lesser role of NGOs in such cases. The existing NGOs in the region are not actively involved in investigating corruption. This can be seen as a consequence of the weak civil society organization in Portugal and is understood as problematic for the control of corruption in the country. Thus, corruption in the region is mainly investigated by the justice courts and the media.

Even though all of the experts consider that corruption exists²⁶⁴, they affirm that it has been very complicated to fight it with the existing criminal laws, since the general

²⁶³ In Portugal a parliamentary inquiry has as its goal the formal investigation of legality of the public authorities and public administration acts. It is conducted into a matter of public concern by a body constituted for that purpose by the government authorities.

²⁶⁴ Portugal is ranked 35 out of 180 countries on Transparency International's Corruption Index for 2009. www.transparency.org

perception is that the legal means are not properly adapted to punish the crime of corruption, which is considered a subtle crime. They affirm that the percentage of reports that lead to prosecution is very low. Among the experts, the perception of impunity is one of the most worrisome indicators today in Portugal, since cases of corruption that are investigated are not adequately punished. The cases that go to trial are few and the cases where people are sentenced are even fewer, leading the judicial system to a loss of legitimacy.

Concerning the media investigation of corruption, the interviewees say that it is the national press that covers the majority of corruption cases, especially because they have more visibility, making retaliation less feasible. They also point out that the only cases of corruption in the Norte region that become public are those reported by the national media. Yet, as already debated, the freedom of speech in the local media is affected by economic and opinion conditioning.

Finally, the general perception of experts is that today, both in the Norte region and in Portugal, there is a lack of mechanisms to measure corruption. Nonetheless, there is some corruption auditing in the public services. The expert in public administration says that within public institutions one can find internal mechanisms of control that help limit the space for corruption, such as the control of the public expenses and in terms of due process. Nonetheless, according to him, despite the improvement in monitoring systems, it is still difficult to control all types of public contracts, which gives room for irregularities.

11.4.4. Recruitment and Working Conditions in the Public Sector

In stark contrast to Pais Vasco, which is considered rather impartial and transparent, the recruitment process in the public sector in the Norte region is to some extent affected by patronage and family/friendship ties. In this sense, many Portuguese public institutions have problems related to these aspects of negative social capital (De Sousa 2009; De Sousa & Triães 2008). The various types of contacts (e.g. personal, business and political) are important when hiring new employees. According to the experts interviewed this is a pattern found all over Portugal, becoming a “generalized problem” that may affect people especially in the big cities, since there are the centers of decision-making, which could facilitate diverse forms of influence based on contacts. The various forms of contacts, such as family and friends, and the political and business influences, prevail over the merits and know-how of a person, constituting a determining factor in the recruitment of new public employees, even though it can vary from institution to institution, as in the case of the universities, where one expert says it is more difficult to get a job if the person does not have the correct merits.

The respondents agree that, to a great extent, these forms of contacts affect the quality of the public services, because those who are more capable and well-prepared are not always the ones who get the job. Respondents agree that the country should improve much more in the credibility of the recruitment process, which should be based on an objective analysis of the person’s qualifications. Further, they think that greater neutrality is needed in the judgment made during the recruitment process, since it is affected by the “network logic of the personal contacts”. Moreover, one expert sees the problem as typical of transition societies, where there are situations of nepotism and no respect for the rights of those who are more competent to do the job.

Three of four respondents believe that more than 60% of the public employees are hired on the basis of personal contacts. They also perceive a career in public service as very stable, still being very attractive to young people, especially in times of economic crisis, because it means long-term stability and security in one person's economic life. Nonetheless, the expert in civil society feels that, as contacts are more important than qualifications, many qualified young people move to other countries in the EU in search for better jobs and salaries.

Regarding the length of the hiring process in public institutions, it is perceived to be long (from six months to over one year). According to the expert in public administration, this is due to the legislation that forces the hiring process to take a reasonable amount of time. The hiring process must also be publicly announced in the press. Nevertheless, there can be problems related to where the hiring process is announced, since there is no specific legislation for where the local governments should publish available job positions.

11.4.5. Whistle-Blowing in Public Workplace

The region and Portugal in general currently display a somewhat paradoxical problem with respect to whistle-blowing protections for public employees. On the one hand, the legal protection system is said to be very protective of employees. On the other hand, the consequence of whistle-blowing in one's personal life and the sense that the whistle-blower can lose her or his job was expressed as problematic in the region. The experts explain that it is very complicated to reveal wrongdoing or to criticize a superior in a public workplace, because people are afraid of the consequences. Therefore, as a general rule, they would not blow the whistle: they would only do so if they were well compensated. Even though employees are generally very conscious of their rights and, in spite of the judicial system, privileges towards the workers' rights, the law is not perceived as adequate protection in the case of an unjustified sanction, causing hesitancy in denouncing something that is wrong.

A media expert says that it is very difficult to find a person willing to report a problem to the local media. In his understanding, if the person is going to blow the whistle she or he wants guarantee of having the greatest repercussions possible and therefore report it to the national media instead of the regional media. Besides the issue of repercussion, experts think people report to national media because it is more independent and has more legitimacy than the regional and local ones. In terms of the consequences, the experts agree that the whistle-blower will probably be harassed and fired. It is thus rare to see a case being reported at the regional level, unless the person is leaving the job.

11.4.6. EU Impact

Regarding the Cohesion Policy status, the Norte region is currently eligible under the Convergence Objective²⁶⁵ for the period 2007-2013. 29.0% of the European Regional Development Fund (ERDF) is designated to the area of competitiveness, innovation and knowledge, and accounts for the highest percentage of total funding. Development, environmental and territorial enhancement received 28.4% of the funds, urban system

²⁶⁵ Information available at Regional Policy – Inforegio: http://ec.europa.eu/regional_policy/

development 23.8%, economic enhancement of specific resources 10.3%, governance and institutional enablement 5.2% and technical assistance 3.2%.

As in Pais Vasco, the experts were generally positive with respect to the impact of the EU on QoG in the region. As positive aspects regarding the public administration during the last ten years in the Norte region, the respondents point out the advances made in terms of quality of schools, universities and hospitals, and the increase in the importance of public opinion, while the services provided by courts of law have been slower to improve. The increase in the regulation of environmental issues and health care services due to the EU imperatives was also noticed. These regulatory matters changed for the better owing to the European legislation that forced the country to adopt general rules. One expert explains that, even if the EU rules are not always followed, they at least set the cornerstone for a positive change in the Portuguese judicial system. Also reported were greater efficiency in terms of deadlines of institutional processes, the implementation of new concepts like the evaluation system of public administration performance (SIADAP)²⁶⁶ and advancements in the career and technical education of public employees. The experts considered that the increase in the municipalities' autonomy was also a positive aspect, since the transference of some responsibilities from the center helps to improve decentralization.

Furthermore, even though the opening process had consequences that are negative in the short term – as the enterprises' bankruptcy due to the market discipline – the long term results are the global increase in the supply of a qualified workforce and services. In this aspect, the reforms made in the educational system are seen as one instrument that facilitates the process of qualification of citizens. The civil society expert points to the increase in the access to education as a very positive sign, since more people are able to study and improve their chances of working in sectors that are gaining importance in the regional economy: services and tourism. She adds that the access to education helps in the process of strengthening civil society, since individuals can become more conscious of their rights and therefore more prone to voice complaints in an organized manner, helping thus to improve QoG in the region.

Even though the QoG has improved, the experts understand that some barriers still hamper further development of the region. Among the negative aspects observed are an excess of centralism in the public administration and an influence of interests that hinder and obstruct the implementation of good practices that can improve efficiency in the public administration. Other problems, such as low performance in productivity, low mobility of human resources and lack of civil mobilization caused by a political culture characterized by apathy and parochialism, are also mentioned as negative. According to the experts, these obstacles could be removed through a more effective, transparent and equal budget distribution to the regions by the central government.

Another negative feature considered to be an important impediment to the regional progress is the low global improvement of the judicial system. This problem is shared with Pais Vasco, as the opinion of the judicial system in the Basque country is poor (see Eusekobarómetro). This is due to the lack of correspondence between the reality of public administration and new legal frameworks. According to one expert there is a death valley between the legal configuration and its practical translation. He explains that the laws are

²⁶⁶ SIADAP is the evaluation system of DGAEP, a public administration organism created in 2007 with responsibilities in the human resources' management. www.dgap.gov.pt

not adapted to what is needed for a more open society, where there is room for more dynamism and at the same time more conflict. In his opinion, individuals' rights imply that there be greater access to justice, and a society based on the individual initiative and on the privatization of the sub-sectors of the economy, which entails a higher demand for an effective judicial system. The expert in public administration explains that the inefficiency of justice is the result of a social dichotomy: a modern sector of society with high levels of internationalization and an intelligent business sector clash with a more traditional society and create a dualist economy. He adds that this clash is affected by the quality of the judicial system, which is ineffective and slow, not evolving at fast pace toward modernization.

Finally, even though Norte figures as a low performing region, respondents have positive expectations for the future of the region in terms of QoG. There is a general perception that it is possible for the region to overcome the current crisis by enhancing access to and the quality of education, which can lead to the creation of new job opportunities. The external pressure, linked to the internal circumstances of high public deficit and external debt, is seen more as an opportunity that can lead to a global improvement of QoG, in the sense that the actual medium and long term effects of the economic and political crisis Portugal is going through today can help in a process of future positive change. Notwithstanding, the experts agree that, for a positive change to take place in the region, considerable modifications have to be made. The judicial system and the political parties' structure are mentioned as priority institutions in need of improvement in order to start the process of change. Experts argue that the laws need to be amended and modernized in order to amplify the juridic means in the region and in the country. Moreover, a deep reform of the political parties' structure is seen as fundamental to promoting regional development and autonomy, opening room for new ideas and inputs that can affect QoG positively.

11.5. Conclusions

According to the opinions of the experts collected here, the low QoG ranking of the Norte region is a result of a combination of institutional elements and more subtle factors linked to cultural aspects, typical of societies in transition. The regional traditionalism, together with the lack of modernization of its economy, laws and politics lead to a precarious society, where public institutions and politics are seen as favour providers, and where the provision of public services equals gratitude and votes from the citizens. Part of this vicious cycle is the acceptance of corruption in daily life, reflected in the lack of efficient mechanisms of investigation and punishment. Yet corruption is perceived as a national problem that has worsened in the Norte region due to the lack of autonomy and an unequal distribution of resources within the region. Add to this the lack of transparency and impartiality in the public institutions and – in clear contrast to Pais Vasco where political participation and civil society is strong - the region has a very low mobilization of its civil society. The outcome is low QoG performance.

As pointed out by local experts, the lack of regional autonomy creates barriers to the further development of the region and the quality of its public services. The excess of centralism in the public administration could be removed through a more effective,

transparent and equal budget distribution to the regions by the central government. Moreover, a gradual augmentation of the region's independence can be positive in terms of releasing the region's potentials and competitiveness and allowing freer international and interregional relations.

To guarantee an improvement of QoG on the way to an increased regional autonomy some recommendations from the experts should be followed up. More attention to the interior's infrastructure can help to hinder emptying this area of its population and brain drain to the coastline. Further, a deeper and more effective revision of legislation (e.g. tax, electoral) is required so as to adapt to the effects of global processes of modernization locally. Together with a considerable modification of the obsolete judicial system, a deep reform of the political parties' structure is also required to enable modernization to take its right place, opening room for new ideas and improved QoG.

The inefficient control of corruption goes hand in hand with the region's political culture characterized by apathy and parochialism. The influence of private interests hinders the implementation of good practices that can improve efficiency in the public administration. This can only be changed gradually and with the help of an increased efficiency of legislation and other mechanisms of corruption control. Greater access to education can be a way to fight the lack of civil society mobilization that, once organized through NGOs, for instance, can be an important instrument in the assessment and improvement of QoG in Norte.

Furthermore, the improvement of the educational system, in terms of an increase in the quality of and access to education, is also perceived to contribute to solving other problems such as the low performance in productivity and low mobility of human resources. Last but not least, the investment in human capital is viewed by experts as a way to improve QoG, since it is the basis for implementing and requiring the existence of its pillars in public services. A society that accepts corruption as the way to access public services and facilities that are meant to be offered as a right cannot have a high QoG until it is able to understand its power in demanding more quality and impartiality from its institutions.

12. Nord-Vest (RO 11)

By Oana Borcan²⁶⁷

12.1. Introduction

This report departs from the notable results of the Nord-Vest region in Romania, which has consistently exhibited a positive score throughout all the sensitivity analyses, despite the overall ranking of Romania in the last place in the EU with regard to quality of governance²⁶⁸. The score awarded to the Nord-Vest region was 0.22, placing it in the top 50% of regions in Europe. It is the top region in Romania, at a distance of almost 2 standard deviations from the bottom region, Bucharest-Ilfov (with a score of -1.67). As a consequence of this large gap, Romania is the country with the second largest within-country QoG variation, after only Italy.

This report presents the results of a study conducted in the Nord-Vest region in May 2010 in an attempt to find potential sources of variation and locate institutional determinants that drive the elevated perceptions of QoG in the Nord-Vest and of QoG itself. As a part of the study, eight expert interviews were conducted with professionals from the region in different fields. The discussions mainly covered three components of the QoG index, quality, impartiality and corruption, in three public services, education, health care and law enforcement, but were extended to topics that are region or country-specific.

The study revealed that the region's score is supported by the experts' opinions. The differences between Nord-Vest and other regions in Romania lie in better performance of the same institutions and structures that are found in all regions (the country is highly centralized in matters of administration). The crucial factor for the region's development was the economic, social and political openness to the "West", which entailed an import of good practices from abroad. Moreover, there was convergence in expert opinions in that the region indeed attracted more per capita FDI than other regions. However, QoG is not regarded as the major factor in attracting the investors, but more as a component in a combination of favourable conditions, among which geographical location (to the west border of the country) and human capital prevail. Thus in the case of the Nord-Vest region one speaks of many benefits of cross-border learning and economic integration from Hungary in particular. One other frequently mentioned argument is the long-term exposure to ethnic diversity that has managed to instate a spirit of tolerance and collaboration among the region's inhabitants. In the interviewees' opinions, this institutionalized mix of cultures accounts for the advance of the region in the quality of public services and impartiality. This insight is particularly surprising because it contradicts many cross-national studies that maintain

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²⁶⁸ According to the World Bank data launched in 1996 (Kaufmann, Kraay and Mastruzzi 2009)

that one might expect more homogenous regions to display better QoG. In the Nord-Vest region, experts consider that a relatively harmonious cultural mixture has been formed, enjoying political support, and supported by the region's important university center in Cluj with a long tradition. The existence of a wide range of parties in power in the local administrations in the past 20 years might also have led to the crystallization of many currents of opinion, thus mitigating corruption. Nord-Vest also benefits from an alert press and a remarkably intense activity on the part of NGOs, which are perceived as more numerous and more effective than in the other regions, having the power to constrain the authorities. This cumulus of factors is likely to have stimulated relatively high QoG in the region and, as a result, the overall score turned out positive, in stark contrast with the rest of the country.

This report is structured as follows: Section 2 contains a presentation of the region. Section 3 presents the impact of the QoG in the region and section 4 elaborates on the possible causes of the QoG in the Nord-Vest region. The fifth section concludes the report.

12.2. The Nord-Vest region: Demographics

The Nord-Vest region is one of the 8 NUTS 2 level development regions into which Romania is divided. The location of the Nord-Vest region in the northwestern part of Romania, being bordered by Hungary to the west, has ensured the premises for a high degree of openness toward Europe. The region encompasses six counties: Bihor, Bistrita-Nasaud, Cluj, Maramures, Satu Mare, Salaj. Its surface of 34,159 square kilometers (accounting for 14.2% of the country's area)²⁶⁹ hosted around 2,740,000 inhabitants in 2002 (12.65%).

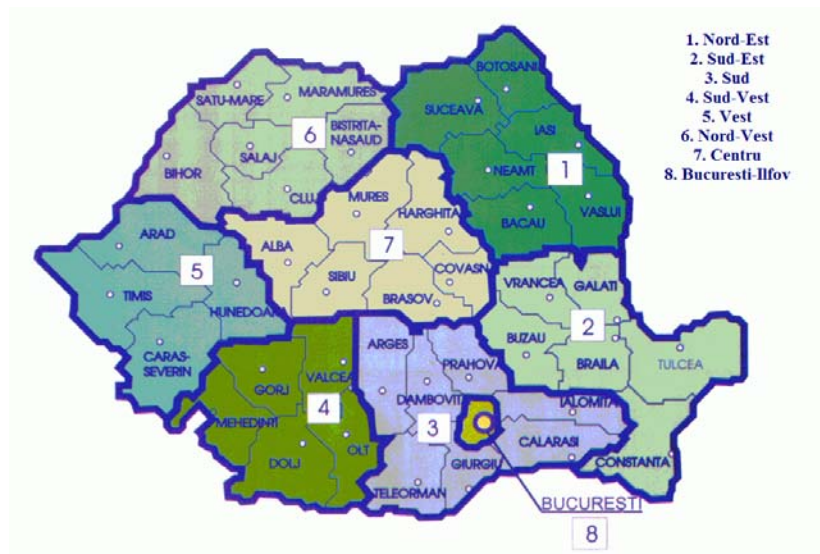
The particularity of the region is the remarkable ethnic diversity relative to other Romanian regions: Romanians (75%), Hungarians (19.3%), Roma people (3.5%), Ukrainians (1.3%), Germans (0.4%), ethnic groups (0.5%)²⁷⁰. Moreover, the Hungarian population accounted for 36.9% of the total number of Hungarians in Romania²⁷¹. Although the macroeconomic indicators in absolute terms in Nord-Vest do not surpass all the other regions, the region is typically situated in the top three.

²⁶⁹ According to the North-West Regional Development Agency.

²⁷⁰ For a graphical representation of the ethnical diversity within each region see Figure 2 in Appendix

²⁷¹ According to the Population Census from 18th of March 2002, undertaken by the National Institute of Statistics, Romania.

Figure 11.1. Romanian regions



The score for quality of government (QoG)²⁷² revealed that the region was far above all the other regions and the country mean and reached the top 50% among the 172 NUTS 1 and 2 regions in Europe in this respect. The region's score is 0.22, which stands out through the contrast with Romania's lowest ranking region, Bucharest-Ilfov (-1.67), which places it in the bottom 10% of all European regions in the data. Thus Nord-Vest lies at the upper part of a spectrum that spreads over almost 2 standard deviations in the data. This position is surprising and interesting because Romania has the lowest combined score for QoG²⁷³ in the EU and the second largest variation between regions after Italy. Table 1 in the Appendix shows the QoG score for all Romanian regions for all three components - quality, impartiality and corruption. In Nord-Vest, only the score for corruption is negative (-0.75). The score for impartiality looks more promising (0.37) and the region excels in quality (1.62).

12.3. Impact of QoG in the Nord-Vest region

This section explores the information obtained in the expert interviews and a range of secondary sources in order to present the QoG score and effects in the Nord-Vest region. A few facts on socio-economic development are followed by the experts' opinions of the QoG results for the Nord-Vest region. Special emphasis is placed on improvements in the quality and impartiality of the public services.

²⁷² The results are to be found in the Part III "Measuring QoG at the Regional Level" of the Report for the European Commission "MEASURING THE QUALITY OF GOVERNMENT AND SUBNATIONAL VARIATION" elaborated by the Quality of Government Institute.

²⁷³ According to the World Bank data launched in 1996 (Kaufman, Kraay and Mastruzzi 2009)

12.3.1 The economy of the region

The economic development of the region has been dictated predominantly by the growth in the services sector (reaching 46.7%). The industry sector has a contribution of 35% to the regional GDP, while the much smaller remaining and decreasing share is held by agriculture. In 2006 the GDP per capita was 4200 Euro, just below the country average (4500 Euro). Figure 3 shows the growth of the GDP per capita for all the regions between 2000 and 2007, where the Nord-Vest region is ranked second after the Vest region, with a growth rate of 7.6%, indicating a well-sustained economic activity. The regional poles of economic development are Cluj-Napoca (Cluj County) and Oradea (Bihor). The distribution of industrial activity is not uniform, as some counties are more industrialized (Bihor, Cluj, Satu Mare), while others, being predominantly rural, have agriculture as their primary economic activity (Bistrita, Salaj).

The transport infrastructure is one indicator that the Nord-Vest region is prosperous. It comprises four airports (with Cluj-Napoca airport being ranked third in the country), seven national roads and a highway now under development, Bors-Brasov, that will go from the center of the country into Hungary, crossing the Nord-Vest region.

The region is demographically balanced regarding rural and urban inhabitants. Cluj is the most urbanized county (66% of the population lives in urban areas). A notable aspect for the Nord-Vest is its low unemployment, the region being ranked second in 2008 with a rate of 3.8% after Bucuresti-Ilfov with 3.4%, as shown in Figure 4 in the Appendix. A particular strength of the region is the long tradition of higher education, hosting two of the oldest universities in the country (the Babes-Bolyai University and the Technical University of Cluj), and another 14 universities that are renowned for generating valuable human capital.

However well performing, the region does not excel in any of the main macroeconomic indicators. This raises an interest in understanding why the region excels in QoG and how this reflects the region's development.

12.3.2 QoG reflected in employment in the public sector

As QoG is indissolubly linked to the existence of a competent body of public service providers, we look at some aspects of employment in the public sector. We note the increasing importance of meritocratic recruitment and the rising awareness of the necessity for stability and specialized training. These indicate that Nord-Vest is performing better than the rest of the country and is making progress.

12.3.2.1 The decreasing influence of contacts

The discussion with the representative from the Nord-Vest Agency for Regional Development touched upon the recruitment procedures in the public administration. There, the procedures are standardized, starting with a CV pre selection, which is followed by a professional and a psychological examination, and the decisive step is the interview. The entire process takes up to one month. The representative underlined that, due to the large number of people that are involved in the decision-making, it is very

improbable that the outcome would be changed by an intervention of influential contacts. Nonetheless, cases of intervention sometimes occur, making the best candidate fall to second place. Still, the standardization of the procedures practically grants equality of opportunity for more applicants, which he felt placed Nord-Vest above the other regions. It is likely that the visible differences in QoG between the two “new EU member” regions analyzed - Nord-Vest and Severozapaden - stem also from the recruitment practices. While meritocracy gained field in Nord-Vest, family and personal contacts still prevail in Severozapaden, leaving qualifications behind²⁷⁴.

For the same topic in the health care system, we surveyed an expert from the Public Health Authority (DSP) in the county of Salaj²⁷⁵. She depicted the situation both from the perspective of medical practice and from that of the public health administration.

First, for medical personnel (doctors, chemists, biochemists, pharmacists and nurses), the recruitment process has become very difficult because of unattractive salary packages. There is currently a deficit of doctors in the county of Salaj. Thus, active recruitment has begun, with the hospital commissions going to the universities and trying to convince students to apply for a position in other cities than Cluj-Napoca. Partnerships with the public administration have been developed in order to offer potential candidates some facilities (such as lodging) to persuade them to move to rural areas where there is a lack of medical personnel. Second, hiring and promotions are based on a scale of values, as occupying a position is based on an examination and promotion is decided after a thorough evaluation. The job openings are published in local newspapers and in the institutions’ announcement boards. Considering these circumstances and the fact that the recruitment protocol is undertaken by seven or eight professionals, contacts do not have effective power, because it would be difficult to convince an entire commission to give the vote to a political acquaintance. Thus, even if some outliers exist, the expert rejected the idea that obtaining a job through the influence of contacts could be a current practice.

The situation in the educational system resembles that described above. The experts traced a distinction between “benign” and “malign” contacts: the latter defies meritocratic criteria and is thus detrimental to society, while the former takes the shape of networking and building up a reputation which is then an advantage for occupying a position, especially in the academic environment. The general perception was that there is a lower incidence of harmful influences in Nord-Vest in the recruitment of personnel. The experts observed an increasing preoccupation in ensuring the application of meritocratic criteria, especially in universities, as these institutions aim at entering high-level networks and at conducting good quality research for which they need to invest in human capital.

12.3.2.2 Employment stability

²⁷⁴ See the section “Severozapaden, BG31” in Part IV “Case Study Reports” of the Report for the European Commission “MEASURING THE QUALITY OF GOVERNMENT AND SUBNATIONAL VARIATION” elaborated by the Quality of Government Institute.

²⁷⁵ Romanian: DSP Salaj – Directia Publica de Sanatate Salaj

According to the interviewees, employment in the public sector displays an advantage from the perspective of stability. Although at the time of the interviews Romania was in a political and economical turmoil in which there were talks of reducing the size of the public sector, there was still a general impression that a career in public administration is very desirable for anyone who seeks security. The experts in public administration noted that interest in employment in public administration has been on the rise for five years. The element that draws people to this sector is the likelihood of getting an internal promotion. Thus, premises exist for turning such a job into a life-long career. Stability is also a feature of the educational system, where the young pursue a lifetime career.

The representative of DSP Salaj stressed the necessity of fostering employment stability in the health care system, as maintaining high quality standards requires the existence of a consolidated body of professionals. A pressing problem arises in the administrative area of the health care system, where employees are recruited from the medical staff, thus creating confusion about an individual's attributes. This diminishes interest in a position in institutions for monitoring the health care services. Moreover, higher educational programmes in specialties in this field are incipient and there is a long way until proper training will be adequately implemented, although steps are being taken in this direction.

12.3.3 Impartiality in acquiring public services

Impartiality is the key concept in the definition that Rothstein and Teorell (2008) propose for quality of governance. Conventional wisdom has it that there are flagrant differences in Romania in the manners in which individuals are treated when they try to obtain any type of public service. The respondents were questioned about Nord-Vest's status in this matter.

The first notable aspect highlighted is the diminishing of the influence that political status can exert in procuring public services. This is not to say that the inequities have been eradicated. There is still a generalized unjustified differentiation of the beneficiaries of services in health care, education and administration, but it stems from a deeply rooted mentality of showing more amicability to people higher on the social ladder and no longer on the basis of political privileges. Another insight was that economic influence has also lost ground and that one would not expect any clerk from e.g. the city hall in Cluj to be impressed with someone's financial ascendant. It is worth mentioning that, in rural areas or small municipalities, additional sources of biased treatment might be the kinship chain and a markedly higher consideration for the community's most prominent figures, such as the mayor, while pressures of this kind are diluted in large cities.

More surprisingly, when the discussion reached the more sensitive subject of discrimination on ethnical or cultural grounds, all respondents were prompt to explain that this no longer poses a problem in the Nord-Vest region, as it used to in the 1990s. There is a wide variety of minorities - Hungarians, Germans, Roma - and it is believed that the higher exposure to diversity has enhanced tolerance and created a more tranquil environment for progress and a healthier governance. The experts also observed a reverse

link, from political strategies to improvement in people's mentalities. The Hungarian party UDMR²⁷⁶ has been present in all the governing coalitions so far, and they have refined their political speech to the extent that their message is more easily accepted by the Romanian majority today. Consequently, over the years, this minority has been better integrated and has felt less and less ostracized. One expert illustrated the situation in a ludic note: "Here the nationalist message is less pronounced than in other regions. You cannot be upset with the Hungarians, because anyway you go play football together with them"²⁷⁷.

In the case of the Roma minority, considerable distress is still felt all over the country and echoes beyond its borders. Although progress is being made toward desegregation, the clashing cultural differences and habits are still present and can account for potential cases where Roma people are offered a less amicable treatment they demand a public service. More specifically, they might find a colder attitude from service providers, such as medical staff, but they will not be denied the service. Moreover, in the Nord-Vest region, the Roma minority has become somewhat more entrepreneurial and there are many communities that live entirely on small specialized businesses, such as metalware, which makes them a part of the socio-economic apparatus and thus provides a catalyst for the integration process.

The discussions also covered more concrete cases of the prevalence of impartiality. It seems that the police services are considerably fairer now than in the past and that the incidence of bribery (e.g. to avoid a speeding ticket) is obviously reduced. The medical services and the public administration have also undergone changes toward a more leveled treatment of their beneficiaries. The petty corruption in the health care system is still present, although there seems to be agreement that it is proliferated by the entire population, because it is unanimously accepted. One expert from academia noted that even the literature talks about the fact that small corruption exists because it is regarded as a shortcut and a convenient way for all members of the society to skip some steps in the bureaucratic procedures. Still, impartiality is not fully compromised, as the experts were positive about the fact that the doctors do not condition the medical procedures, except for a few isolated cases. They admitted that it is difficult to assess how far above the other regions the Nord-Vest region is in this respect, but it is clear to everyone that it is much more correct than in Bucharest. Overall, the experts perceived a path toward uniformity in the Nord-Vest region.

12.4. Causes of QoG in the Nord-Vest region

Although we cannot speak of a separate regional government, the same local governing structures as in all other regions perform better in the Nord-Vest region because of the more serious implication (obligation?) of the public actors and tighter

²⁷⁶ UDMR stands for "Hungarian Democratic Union from Romania". The original Romanian name is "Uniunea Democrața Maghiara din România".

²⁷⁷ Translation from Romanian: "Aici mesajul nationalist e mai puțin pronunțat decât în alte regiuni. Nu poți să te supere pe unguri pentru că oricum mergi să joci fotbal cu ei."

control over the public authorities. There is an essential role of the media, the policies implemented and the integration into the EU.

12.4.1 Regional autonomy

Romania is a highly centralized country with respect to administrative policies. The division into eight NUTS 2 regions, albeit formal, has not assigned the regions any political or administrative status of their own. They are voluntary associations of the county councils that facilitate the coordination and absorption of structural funds from the EU. Moreover, each of the 41 counties and Bucharest have the same organizational scheme, with the institution of the "prefect"²⁷⁸ being delegated by the Central Government to implement national policies in the territory and county councils, municipal councils and mayors (whose representatives are chosen by the local electorates) to coordinate the local public administration. Thus, this invariant establishment of administrative bureaus justifies the expectation that the Nord-Vest region's stronger position does not stem from major institutional architecture, but rather from micro-level features that have potentially accumulated and rendered a better working mechanism than in the rest of the country.

12.4.1.1 The Public Administration and the Legislative Process

The organization charts are generally uniform and the same rules apply at the central and local levels. The law of uniform salaries deals with the potential incongruence among similar institutions. As the experts pointed out, there are certain normative acts that set the limit for the number of employees and the prerogatives of the directors, from office managers to executives. Decisions concerning the recruitment of the staff, except the heads of some institutions, belong to each particular institution, which was the premise for the creation of a base of young competent employees in the public services in the Nord-Vest region. As concerns the budget allocation to counties, there are some types of expenditures that are decided by county councilors and some that are even decided by city halls (e.g. heating subsidies, social assistance), who have their own allocation algorithms. There is more freedom on the infrastructure side, where the local authorities can decide what roads will be built and where they will be built. One improvement in the Nord-Vest region was the reduction in the preferential allocation of the budget, i.e. depending on the political colour. There seems to be a quite clear and transparent budget distribution (at least in the Nord-Vest region) between and within counties and the grey area of money to "help your friends", which has shrunk. The investment side is still problematic, as politicians still tend to favour those investors who can provide more support in return. The legislative process is completely centralized, so there is no discussion of local laws. Fiscal matters are also at a central level, with only a few commodity taxes being collected locally, such as taxes on houses or cars²⁷⁹.

²⁷⁸ The Romanian title is "Prefectura"

²⁷⁹ A list of these taxes can be found in The Fiscal Code 2007, Title IX "Local taxes", Article 248.

12.4.1.2 Health care services

One expert from the area of health care provided a brief overview of the organization of public hospitals in Romania. Each county has a public health authority that is directly subordinated to the Ministry of Health. This authority, together with the County Council, is in charge of the public hospitals in the county. To implement any change or restructuring in the public hospitals, the board needs the approval of the Authority for Public Health. Moreover, the financing comes partly from the National Health Insurance Authority²⁸⁰ and partly from the Ministry of Health through large investments. These mainly dictate how money should be spent. Since the financing comes from the above-mentioned institutions, the county councils most often fail to get involved in the organization of public hospitals. This “syncope” creates a problem of accountability and prevents required changes from taking place.

Thus, the public health care services are coordinated from the center, so the only space in decision-making is offered by the internal rules and regulations. An example in this case was given by the expert, who, a few years ago, in his capacity of interim manager of one county hospital from the region, drove a substantial change in the flow of documents in the hospital. Unlike previously, when all the paper work was first directed to his office, he had all documents sent to the corresponding departments, and only directed to him in the case that problems occurred. The paradigm was feasible and addressed in a simple way a bureaucratic shortcoming. Important time costs were eliminated. However, this measure is not easily enforceable due to the high degree of centralization in the health care system. The outcome in this case was a reinstatement of the old system once the manager had been replaced.

12.4.1.3 The Education system

The education system has now also been highly centralized, with County Inspectorates representing the voice of the Ministry of Education at the local level. The experts talked about increasing interest in matters of resource allocation for education. It was mentioned that, for the first time in the past 20 years, the authorities are raising questions such as “how many teachers do we need?” or consider the criterion of the performance of the learning units in deciding financing. Regarding the new law proposal that will give more decision power to local communities, the interviewees pointed out that it might serve well in those municipalities that are responsible and might harm those that do not yet have a sense of serious commitment to quality.

12.4.1.4 Particular features of Nord-Vest: Cross-Border Learning with Hungary

Since the structure of the formal institutions in all the regions is essentially the same, regional particularities are expected to elucidate what differs in Nord-Vest from the other parts. A suggestion was given by one expert from the academia, who spoke about *de facto* differences. He explained that this region has a long history of a mix of ethnical minorities, and they are taken into account and well represented in all organizations.

²⁸⁰ Romanian: Casa Nationala de Asigurari de Sanatate

Thus, the *modus operandi* is clearly influenced, even if the organization chart in the institution is fixed on paper. Cooperation, tolerance, compliance and cross-border learning are natural consequences of a mix that has been consolidated in many centuries.

The general perception is that, in Nord-Vest, people are in general more committed to their duties and determined to carry them responsibly. All the experts we interviewed were quick to declare that the openness and the tight relations with the western neighbour Hungary helped to acquire this. They talked about a certain transfer of knowledge from abroad that was facilitated by the fortunate positioning of the region next to the western border. The import of good practices is now also felt in the way the institutions are run, and this enhances the QoG and perceptions of it.

Another feature is the greater openness of the institutions in this region to partnerships with NGOs. This willingness to collaborate stems from two observed realities:

1. The NGOs are markedly more active in this region than in the rest of the country
2. the institutions and population at large have become more and more aware that NGOs are very important actors for implementing change.

The general tendency in this region is toward achieving greater autonomy, which is perceived as beneficial for the local administration because the region has a good momentum and would receive more incentives for better management of resources if more money stayed in the region instead of being directed to the center and redistributed. Thus, decentralization in the region is perceived as enhancing QoG.

12.4.2 Public authorities and services

The discussion of the mechanisms used to induce efficiency and compliance of employees in the public sector revealed divided opinions. The expert from the Nord-Vest Agency for Regional Development talked about a financial bonus scheme in the public administration. Non pecuniary rewards are also employed when the annual evaluation is conducted, and these are awarded on the basis public recognition of the staff's merits. There is a system of awarding performance points, and evaluations are conducted both vertically and horizontally, so that all the employees are actively engaged in the assessment process. The most efficient receive prizes and additional wages for special merits on the basis of points²⁸¹. In the smaller municipality of Zalau, the city hall representative was skeptical about the incentive system that public institutions generally offer. The perception was that wages are insufficient for employees to feel motivated and that premia are not frequent. She agrees that there is verbal appreciation, the so-called "thank you, you've done a good job" factor that matters greatly for employees' commitment.

Less involvement from the staff is observed in corruption control. The experts invoked "a reminiscence of fear" that calls the employees to address complaints primarily in an informal setting, much like in the Bulgarian region of Severozapaden. The

²⁸¹ Translation from Romanian: "Salariu de merit"

advantage in the Nord-Vest region, at least in the large cities, is that pressure on the authorities exists and that it is exerted by the active syndicates that take firm positions in negotiations and often go so far as to stage protests in front of the city hall or the prefect institution.

In the case of the smaller community of Zalau, the experts pointed out that strikes are not an effective instrument for enforcing good conduct of authorities in institutions such as city halls. They are only efficient in institutions that interact directly with the public, such as hospitals and schools, where the effects are immediately evident. Otherwise, the only constraint that workers in the public administration can exert is to choose the 'exit option'. Motivating employees is a weaker point in the public administration in smaller communities. The institutions lack programs for attracting young people as the private sector has.

Another point of the investigation was monitoring corruption in the Nord-Vest region. By all appearances it seems that improvements have been made in this area. More interviewees mentioned a case of malfeasance that is currently being trialed in Baia Mare (Maramures county), where the mayor is accused of having purloined money from the local budget and of having covered the theft with a suspicious public acquisition. This is not an isolated case; a few years ago a mayor from the county of Satu Mare was investigated for a similar problem and detained in arrest for one and a half years.

Another example was in the city Zalau. Here, a young boy from a high school started an Internet blog where he introduced a discussion of the abuses of the high school principal. His declarations have been taken over by the media, who has turned the topic into a public investigation, in which an increasing number of students have testified against the director. The result was that, within approximately three weeks, the principal, who had occupied that position for many years, was fired. In this case, a technological innovation provided the freedom for the oppressed to voice complaints and the press involvement contributed to the message being heard and action being taken.

The discussion has also revealed some anti-corruption measures that have been implemented at a national and local level. These included coalitions of NGOs that have tried to institutionalize new practices in the public sector. There is now an attempt to instate a "lawyer of education"²⁸², after the model of the "people's lawyer", whose role is to collect and resolve complaints from those working or benefiting from this system. All the experts recalled recent anti corruption campaigns in public administration institutions that have materialized through posting placards and stickers in all the offices that display the iconic message: "We don't accept bribes here". The examples indicate that these combined actions have produced real results in the Nord-Vest region, which the Bulgarian region Severozapaden has not witnessed²⁸³.

²⁸² The article is available at http://www.sar.org.ro/art/proiecte/educatie/cuc_a_lansat_avocatul_educatiei-388-ro.html

²⁸³ See the section "Severozapaden, BG31" in Part IV "Case Study Reports" of the Report for the European Commission "MEASURING THE QUALITY OF GOVERNMENT AND SUBNATIONAL VARIATION" elaborated by the Quality of Government Institute.

As concerns the quality of public services, technology again makes Nord-Vest stand out. Some institutions, especially those in public administration, have a fully working system of communication with the citizens via websites. Although more or less all city halls in Romania have an official homepage, few actually use them as an interface with the public. It seems that the authorities in Cluj and in Zalau increasingly rely on the complaints or recommendations and suggestions received through the electronic platform. The experts mentioned that there is a national online platform for communication with the mayors of all the cities, through which people can launch complaints and questions that, according to law, ought to be answered within a maximum 30 days. Remarkably, the city of Cluj-Napoca is frequently ranked first in terms of the number of notifications sent by citizens, who would most likely be limited if a system of this kind were not available. This offers an important insight: the inhabitants of the Nord-Vest region have a greater willingness to become involved in the life of the community when they are protected by the anonymity provided by the internet. The experts emphasized the gain in transparency that is effectively brought about by this technology.

Trivial as these aspects may seem, one should be cautious in judging their importance for the development of the region as, relative to the political and economic position of the country, these mechanisms represent a real innovation and an effective source of improvement of the public services. Moreover, there is a widespread awareness in the population that services in Romania are lagging far behind those offered in Europe's more developed countries, which are typically taken as a benchmark. When visible changes are implemented faster than in other regions to bring the Nord-Vest's standards closer to that benchmark, the level of satisfaction rises and there is a boost in the population's positive perceptions of the QoG.

12.4.3 The Media

One aspect that this study touched upon particularly was the contribution of the media in the Nord-Vest region in enhancing QoG and the perceptions thereof. A free press plays a fundamental role in keeping the population informed about the administration of their communities, in disclosing abusive actions and promoting good examples. A detailed picture of the media's activity was provided by the representative of the press.

His opinion as an insider was that one can posit trust in the work of the journalists that have built their career in the region, as they have a high level of competence and dedication. No significant difference in reliability exists between state-owned and private press. Among the many types of press, the most trustworthy are the online news agencies. Although these are not based in the region, some of the most experienced news editors from Cluj are correspondents for national online platforms. The online press is primarily comprised of independent and more reliable professionals (freelancers). Still, the public is confronted with a credibility problem in regard to the local newspapers and televisions. The expert maintained that the sources of bias are not the journalists themselves but the owners of the publications or media channels, who intervene to a dangerous extent in the

editorial policy, favouring certain interest groups for financial benefits stemming for instance from acquired publicity space.

Concerning the freedom of the press in the region, it seems that a mentality of submission to interest groups still persists. More precisely, the media trusts, or some journalists seek to maintain, good relationships with the most influential people in politics or public administration. By agreeing to disclose information from the public or to publish articles praising particular political figures, they pursue a sort of insurance policy against losing their position or their business (in the case of media owners). Thus there is a lack of boldness in freely expressing opinions, stemming either from an internal fear of being sabotaged or from a perception that there is more to gain from friendly interactions with the authorities. In any case, the attitude is that of “putting one’s head down in the sand” and choosing to ignore certain problems. Because the public administrators have not fully understood how to dissociate their role of managers from that of politicians, vast amounts of public money are spent on building their image in the press, especially in electoral campaigns. This inflow of money puts a strain on the press in general, suppressing its potential as a “guardian of democracy”. Despite this, the general opinion is that the press in Romania is freer today than it was 20 years ago, as it enjoys more options that have been facilitated by the spread of technology. The press representative related, for instance, the possibility of employees in media companies to choose the exit option if subjected to abuse from the owner, and even to launch internet blogs independently, which give them the chance to freely report malfeasances. This has the potential to act as a constraint on the owners, and there have been similar situations in the region when journalists have made public various wrongdoings. Thus, there are visible improvements with regard to the independence of the press. The servitude mentality in the Nord-Vest region has diminished in recent years. Journalists are less docile in their relationship with the authorities, less willing to compromise and keener to investigate and disclose the problems they encounter.

Even though the media does not have a syndicate or a higher forum to turn to for protection of whistle-blowing, professionals try to form a common front with NGOs to effectively sustain and defend the interests of the press. This is precisely the mission that the Association of Press Professionals in Cluj has assumed, and its chairman revealed that repeated actions have been taken both against illicit deals in public administrations and against malpractice by fellow journalists. One that took place in 2009 was the disclosing of a venal arrangement between the Cluj County Council and a local newspaper owner. They were attempting an improper, albeit mutually beneficial, allocation of the Council’s publicity budget. More organizations got involved in the investigation, the news was taken over by the national media, who amplified the message, and the deal was thus ceased. As this example shows, the crucial factor for these actions to achieve success is collaboration and solidarity among the press agencies and non profit organization (e.g. Transparency International²⁸⁴ or the Center for Independent Journalism in Bucharest²⁸⁵), thus becoming a larger force and managing to exert effective pressure on the authorities. A new step in the consolidation of a powerful control organism is to extend the

²⁸⁴ Information about Transparency International Romania can be found at <http://www.transparency.org.ro/>

²⁸⁵ Information about the Center for Independent Journalism can be found at <http://www.cji.ro/search.php/?q=journalists&page=8>

Association of Press Professionals to a regional dimension, which is currently a desideratum of the members in Cluj. Another plan is to develop partnerships with the Active Watch - the Agency for the Monitoring of the Press²⁸⁶ - and with the Faculty of Journalism for recruitment of young specialized staff.

Although the Association of Press Professionals is present in other regions in Romania, the one in Cluj seems to be the most active and with the most substantial input in the process of monitoring the activity of the press and the public officials, which provides additional support for the positive QoG results found in the Nord-Vest region compared to the rest of the country. The level of involvement and effectiveness that the press in Nord-Vest has reached can be contrasted for instance with the case of the Bulgarian region Severozapaden, where the press is not yet regarded as a powerful actor in the fight against corruption²⁸⁷.

12.4.4 The EU impact over the region

The integration of Romania and Bulgaria in the European Union in January 2007 was expected to bring a change in direction on all levels, and especially in public services. To learn how EU integration has helped improve QoG in Nord-Vest, we gathered opinions from the three representatives of public administration who have a vast expertise in projects financed by the EU. One thread of the discussion pertained to the gains from the integration and a second treated the flaws in the system of absorption of funds.

12.4.4.1 Overall improvements

In the first place, there was general consensus that the one benefit that outshines all the others is the openness that EU integration has brought. This entails the import of new standards and practices, departing from the pressure to harmonize legislation (through the “*acquis communautaire*”). Doubled by experience with learning from abroad, this has brought enhanced political and social openness.

Unlocking the borders has set the prerequisites for the inflow of FDI all over the country, although more rapidly accommodated in the Nord-Vest region because of its convenient geographical position. Therefore, with the modernization of pre-existing infrastructure and the qualified labour force concomitantly with the adherence to EU legislation, one can discuss a more accentuated economic openness in the Nord-Vest region than in other regions, except Bucharest. This also entailed collateral effects on the activity of the public authorities, as the necessity for close contact and dialogue with the foreign investors has meant more responsibility in carrying out administrative tasks. In the county of Cluj, the willingness of the authorities to maintain a fruitful collaboration with the incoming companies has materialized in the establishment of four industrial parks that are highly beneficial for the region's economy. Their development has been

²⁸⁶ Information about Active Watch can be found at <http://www.activewatch.ro/>

²⁸⁷ See the section “Severozapaden, BG31” in Part IV “Case Study Reports” of the Report for the European Commission “MEASURING THE QUALITY OF GOVERNMENT AND SUBNATIONAL VARIATION” elaborated by the Quality of Government Institute.

possible with financing from the EU and the investors and with the practical support of the County Council. The intensification of contracts such as Public-Private Partnerships (PPP)²⁸⁸ has actively engaged the public administrators, placing additional pressure on them to be committed to their tasks, leading to a gain in QoG.

Undoubtedly the access to structural funds granted with the integration was a major step forward. The experts agreed that the injection of these funds into the educational and health care systems has led to improvements, especially on the infrastructure side, but also in the quality of the services offered (i.e. new equipment and special training). In theory, Bulgaria has had a similar evolution. However, as the Bulgarian case study presents, there is divergence in the level of satisfaction about the integration felt in Nord-Vest and in the Severozapaden region²⁸⁹.

12.4.4.2 Problems with the post-adhering funds

The strict standards imposed by the EU for the elaboration of development projects have been an additional motivation to enhance the local pool of competencies. However, the mere availability of funds does not ensure the growth of the region, and not even the progress that was made in preparing the staff has managed to overcome the problem of the poor absorption of structural funds. Romania currently holds the second worst position among the member states as concerns the absorption rate, with 14.1%, after Greece, which has a rate of 12%²⁹⁰.

The problem stems from the high degree of centralization and the presence of many intermediaries hindering communication between the Government and the local administrations. Romania has been allotted a specific amount of funds that are divided among its regions. The ministry elaborates a financing guide which is sent to the city halls in the regions, where the projects are written. The projects are then submitted to the Agencies for Regional Development (ADR). There are three steps in the evaluation of the projects. First, the ADR verifies the conformity and eligibility. Second, external evaluators contracted by the ministries execute the financial and technical auditing of the projects. If they give their approval, the projects enter the contractual stage and are then verified again by the ministry. This process is lengthy and difficult. The expert from Zalau gave an example of one of their projects that was submitted in 2008 and did not receive full approval until February 2010. Another problem is the legislation regulating public acquisitions, which grants the right to anyone to submit objections, in which case

²⁸⁸ At present, the legislation on Public-Private Partnerships in Romania is in accordance with the prerogatives of the "acquis communautaire", as stipulated in Directive 2004/17/EC of The European Parliament and of the Council of 31 March 2004 for coordinating the procurement procedures of entities operating in the water, energy, transport and postal services sectors and in Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts.

²⁸⁹ See the section "Severozapaden, BG31" in Part IV "Case Study Reports" of the Report for the European Commission "MEASURING THE QUALITY OF GOVERNMENT AND SUBNATIONAL VARIATION" elaborated by the Quality of Government Institute.

²⁹⁰ These problems were publicly confirmed in May 2010 by the Ministry of Environment Laszlo Borbely. See <http://www.money.ro/fonduri-europene/borbely-romania-este-printre-ultimele-tari-in-privinta-absorbției-fondurilor-europene.html>

the project is stopped until the matter is tried in court, and this implies more time wasted²⁹¹. The representative from the city hall in Zalau confessed: “You end up regretting you’ve taken this step of soliciting money. Upon finalizing you don’t have the power to enjoy the success, because you have no more strength, you are finished“²⁹².

The experts suggested eliminating at least one evaluation step and recruiting the evaluators from the staff that has previously been directly involved in writing projects, in order to have a compatibility of competences. The legislation for public acquisitions could also be revised. Otherwise, the Nord-Vest region has the prerequisites and the experience to successfully implement development projects. When asked whether she expected improvement in the next five years, the expert from Zalau was positive: “Absolutely, otherwise I wouldn’t be here anymore”²⁹³.

12.5. Concluding remarks

As unanimously expressed by the experts, the difference in quality of government between the Nord-Vest region and the rest of the country exists as a result of the interaction of a range of institutional factors and a favourable cultural background. Evidence and expert opinions point toward two major determinants for the higher QoG: cross-border knowledge transfers from a better performer and increased exposure to ethnic diversity. Having Hungary as a neighbour entailed beneficial spill-over effects on the Nord-Vest region. In contrast, being situated next to a country confronted with similar problems – Romania – has not served the Bulgarian region Severozapaden.

Other factors observed in the Nord-Vest region that are believed to enhance QoG could be transposed to other regions. The intensification of the activity of press associations has proved beneficial in Nord-Vest. As emphasized in this report, the cooperation between the press and various non profit organizations has helped to defend the interests of journalists against abuses from the media trust owners, who often lack the incentives to maintain a free and competent press. Cooperation has also enhanced the constraining force of the press. It has helped to form a common front capable of revealing acts of corruption and of intimidating the governors. The same role is held by the new technologies, such as online blogs or websites, as they have proved effective in giving the people the real option to voice their complaints and suggestions, thus exerting additional pressure on the authorities.

Based on the paradigm of the Nord-vest region, suggestions can be formulated for improving the QoG in all the regions. The quality and impartiality of services can be improved by stimulating the activity of NGOs in the life of the communities. Investments in training programs for public management, especially in grey areas such as managerial positions in the health care systems, should be given special attention. Investment in human capital in general pays off in both the short and long term. Public administration institutions should consider implementing a new system of stimulants for their

²⁹¹ Source: <http://www.financiarul.ro/2010/05/21/romania-prima-la-proiecte-de-infrastructura-mare-din-ue-dar-ultima-la-absorbti-a-de-fonduri/>

²⁹² Translation from Romanian: ”Ajungi sa regreti ca ai facut pasul asta, sa ceri bani. La sfarsit nu mai ai putere sa te bucuri de succes pentru ca nu mai ai putere, esti terminat“.

²⁹³ Translation from Romanian: ”Absolut, altfel n-as mai fi aici!“

employees, potentially similar to the one in the private sector (e.g. team building) to motivate the employees and induce good conduct. As concerns the absorption of structural funds, all the regions show room for improvement. A simplification of the bureaucratic processes by a reduction in the number of evaluation steps is a feasible and cost free policy. The revising of some laws that are indispensable in the evaluation process is recommendable. It is also desirable for the country to take steps toward decentralization, so that each region is able to handle its own development projects without requiring the approval of the center for every document in the impressive stacks of paper that the projects consist of.

The opinions collected from the experts suggest that the ranking of the Nord-Vest region as concerns QoG is not coincidental, despite the fact that the region is not autonomous. The same structures present in all other regions simply function more satisfactorily in Nord-Vest, which is an indication that the other regions should be receptive to policies and measures that have proved effective there. If nothing else, the other regions should at least learn from the problems that Nord-Vest experts have signaled and, last but not least, they should strive for improvement and believe improvement is possible.

Appendix. Additional data on Nord-Vest.

Table 12.1. Regional QoG scores in Romania

Region	Code	QoG Score	Quality	Impartiality	Corruption
Nord-Vest	RO11	0.216512	1.62628	0.378559	-0.752108
Sud-Vest Oltenia	RO41	-0.13828	1.94635	-0.071742	-1.13158
Centru	RO12	-0.24489	1.0372	0.015918	-1.13172
Sud-Muntenia	RO31	-0.44483	1.08645	0.023833	-1.10455
Nord-Est	RO21	-0.69235	1.31432	-0.224789	-1.64733
Sud-Est	RO22	-0.71405	1.39197	-0.666325	-1.78331
Vest	RO42	-0.93682	1.08071	-0.733675	-1.61481
Bucuresti-Ilfov	RO32	-1.67471	0.51669	-1.01794	-.230204

Figure 12.2. Regional ethnic split by region in 2002

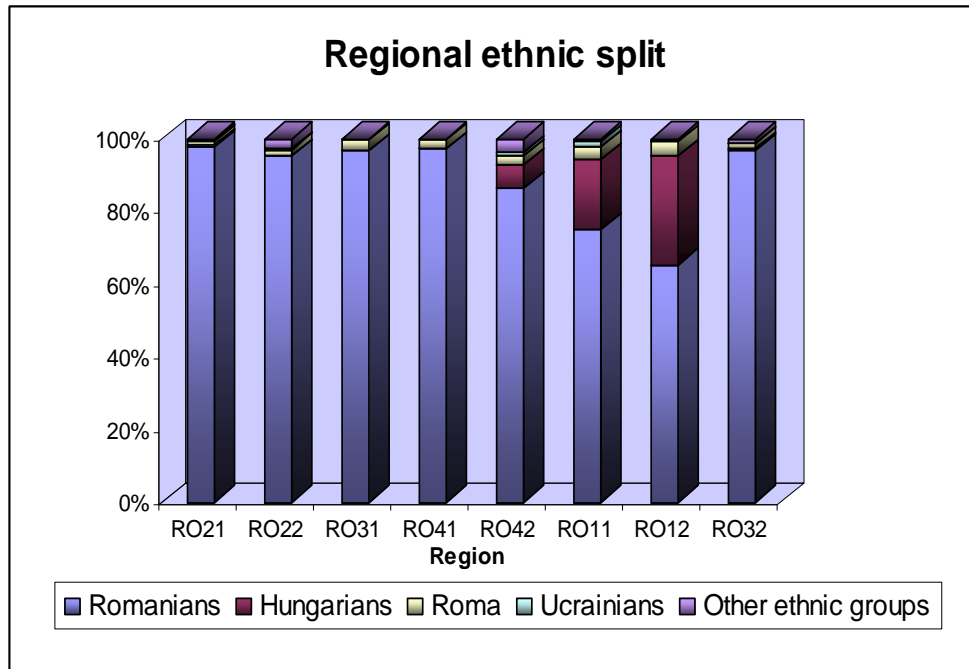


Figure 12.3 Regional GDP per capita growth in Romania, 2000-2007

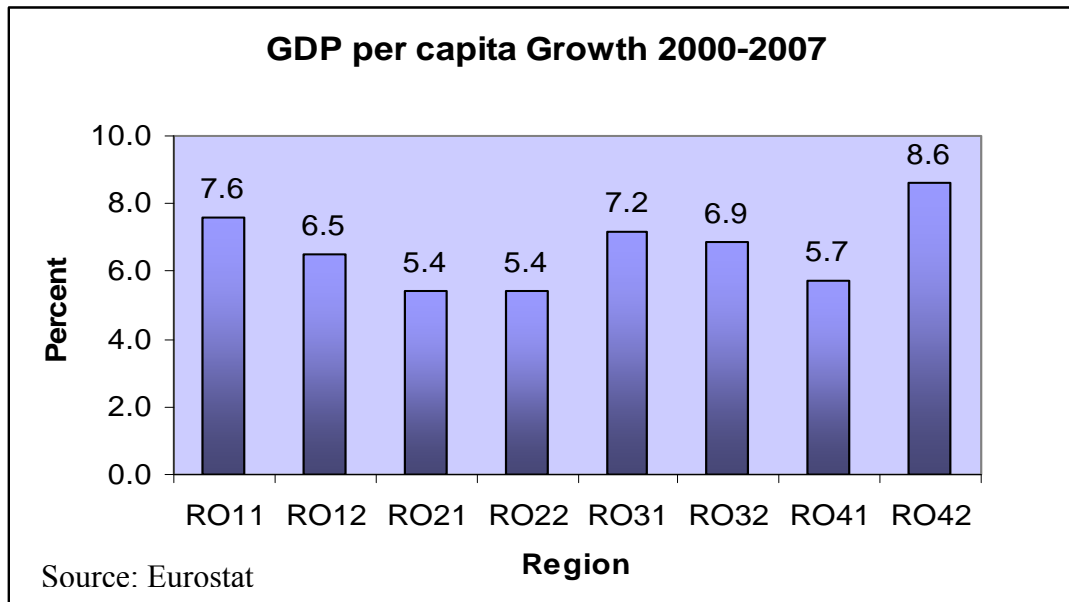
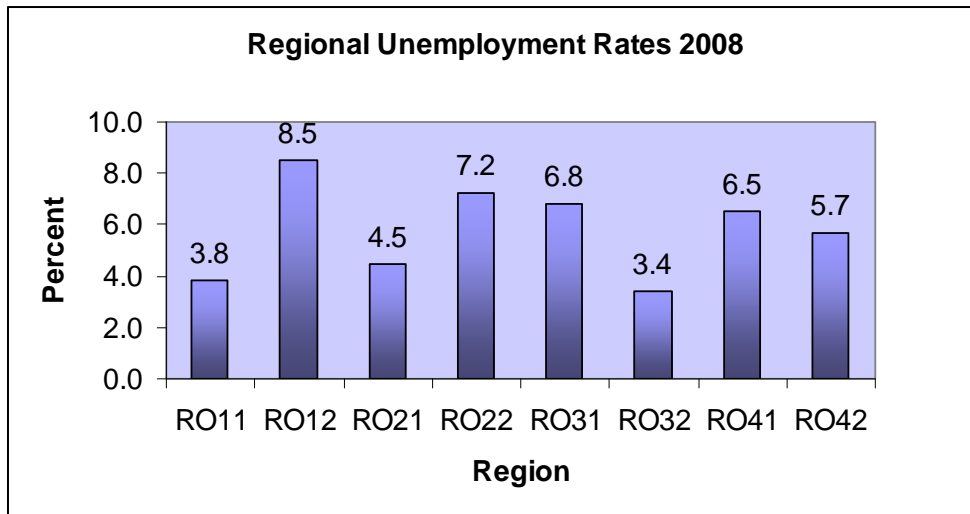


Figure 12.4. Regional unemployment rates in Romania, 2008



13. Severozapaden – NUTS 2 region (BG 31)

By Dimitar Popovski

13.1. Introduction

The Severozapaden region is one of the six NUTS 2 regions of Bulgaria. According to the latest data, it is the least economically developed region in the EU, and the region receives the least FDI. This region is the subject of this case study research as it was ranked as the weakest performing region in both Bulgaria and the EU after the largest EU survey on quality of government (QoG) of EU regions to date. The region's overall QoG score of -2.96 places Severozapaden almost a full three standard deviations below the EU mean.

This case study tries to obtain the explanations and opinions of local experts on the low ranking of this region. Most experts generally agreed on ranking Bulgarian regions at near or the very bottom of EU NUTS 2 regions with regard to QoG. However, the position of Severozapaden among Bulgarian regions was largely disputed. The ranking of the region and its citizens' perceptions of its QoG were explained to be a result of the economic situation of its citizens, local institutions and many other obstacles to the regional institutional development, the roots of which are of an economic nature.

The conclusions drawn from the interviews and discussions with the local experts, together with the further analyses and research on the region presented in this report, show the existence of several factors explaining the region's perception of QoG. The economic background of the region as a result or cause of its isolation and insignificance throughout the history of Bulgaria directly and indirectly affects the quality of local services. The extremely poor regional infrastructure combined with the weak financial capacity of institutions has a direct impact on the quality of services provided to its citizens. Devastating demographic trends, mainly due to the high rates of emigration of young people from the region, exacerbate the regional economic and institutional development. Low salaries in the public sector further decrease the interest of local young professionals in careers in regional institutions. Moreover, the overall financial situation and insecurity of the citizens negatively affects the strength of the civil society, produces passiveness among public employees and weakens local media in the struggle for institutional development.

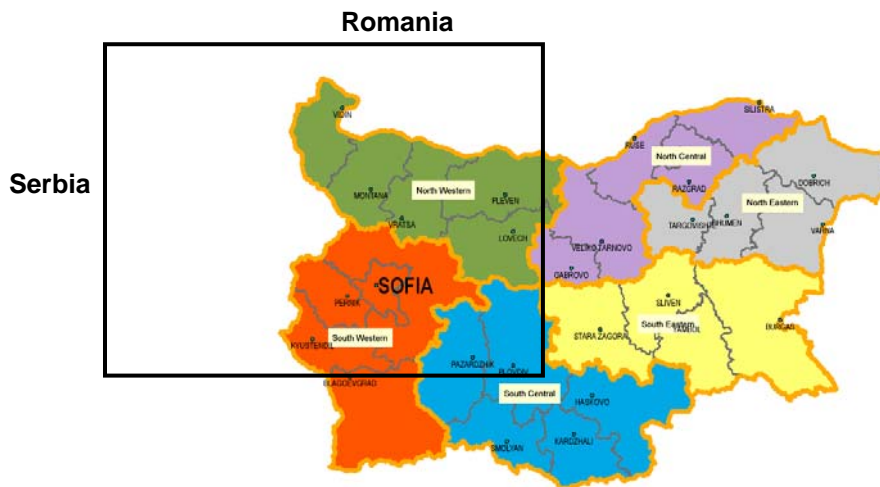
The accession of Bulgaria to the EU is seen by most experts as a process that positively affects the level of QoG and future support and cooperation with EU institutions, and it is perceived as significant in terms of solving many of the problems this region faces.

13.2. The Severozapaden Region: Demographics and Regional Components

The Severozapaden region (in Bulgarian: *Северозападен район за планиране*, Latin transliteration: *Severozapaden raion za planirane*, English translation: *Northwestern planning region*) is situated in the northwestern part of Bulgaria. It is bordered by Romania to the north (the Danube River is the natural border between the countries at this part of the border), the Severen tsentralen region of Bulgaria to the east, the Yuzhen tsentralen and Yugozapaden regions of Bulgaria to the south and Serbia to the west. It has a total area of 19,070 km². According to 2009 estimates, 916,054 inhabitants live in the

region²⁹⁴. The share of the regional area of the total area of Bulgaria is 17%, while the population share is 12%. With a population density of about 48 persons per square kilometer, it is the least densely populated region in Bulgaria, the national average being 68.5. The capital or center of the region is Pleven, the 7th largest city in the country.

Figure 13.1. Position of the Severozapaden (North Western) region in Bulgaria



Source: Ministry of regional development and public works of Bulgaria²⁹⁵

NUTS 1 and NUTS 2 regions of Bulgaria are not territorially administrative units. Consequently, Severozapaden does not function as a region with political and economic self-government on a regional level and, consequently, no elections are held at this level. Bulgaria has recently been divided into six NUTS 2 (in Bulgaria called planning) regions for statistical and planning purposes, due solely to the requirements of the European Union²⁹⁶. The Severozapaden region consists of 5 NUTS-3 regions or provinces (Vidin, Montana, Vratsa, Lovech and Pleven) and 51 municipalities. The Pleven and Lovech provinces have recently been attached to the Severozapaden region. The government of the municipalities (obshtini) is elected by the citizens through local elections. Bulgarian provinces (oblasti) are territorial-administrative units with low levels of decentralization that execute the policies of the central government, which are mainly related to regional development and cohesion of local and central policies²⁹⁷. With an average of less than 18,000 inhabitants per municipality, Severozapaden is the region with the smallest (by

²⁹⁴ EUROSTAT database for regions (Population and area statistics)
http://epp.eurostat.ec.europa.eu/portal/page/portal/region_cities/regional_statistics/data/database
 (Accessed 1 June, 2010)

²⁹⁵ Map of the regions published by the Ministry of regional development and public work of Bulgaria
http://www.mrrb.government.bg/index.php?lang=bg&do=reg_bg&type=67&id=1 (Accessed 18 June 2010)

²⁹⁶ Ministry of regional development and public work of Bulgaria, *NUTS 1 and NUTS 2 regions in Bulgaria* (in Bulgarian) http://www.mrrb.government.bg/index.php?lang=bg&do=reg_bg&type=67&id=1 (Accessed 1 June, 2010)

²⁹⁷ Constitution of the Republic of Bulgaria article 142

population) municipalities in Bulgaria, the second region having about 25,700 and the national average being about 28,800 inhabitants per municipality. According to the census of 2001, ethnic Bulgarians form the vast majority of the population, representing nearly 90%. The largest ethnic minority group in the region is Roma people (about 6% of the population), followed by the Turkish minority, with less than 3%. This is not the case in most of the other regions in Bulgaria and the country as whole, where the largest ethnic minority group is Turks.²⁹⁸

Table 13.1. Provinces comprising the Severozapaden region and their populations as of 2009 estimates

NUTS code	Province	Number of inhabitants
BG 311	Vidin	110,310
BG 312	Montana	158,291
BG 313	Vratsa	199,702
BG 314	Pleven	294,277
BG 315	Lovech	153,474
BG 31	Total	916,054

Source: Eurostat²⁹⁹

13.2.1 Regional responsibilities

Legislation is mainly the responsibility of the central government. However, municipalities have some responsibility for passing local legislation, or so called orders, which can differ among municipalities and can be related to local problems, but must be in accordance with the norms of centrally adopted laws and general acts. The municipality can provide certain incentives for investments, including a local tax stimulus that is a limited responsibility of the municipality and must be in accordance with the national tax legislation. In this issue, municipalities, unlike provinces, can decide on the size of certain taxes. The national constitution and laws state the interval in which certain tax obligation, and municipalities decide the actual amount³⁰⁰.

13.3. Impact of QoG in the region

This section presents certain correlates of the QoG in the Severozapaden region. Data and experts' opinions characterize Severozapaden as the weakest performer in Bulgaria

²⁹⁸ Census results of 2001 at the National Statistical Institute (in Bulgarian) <http://www.nsi.bg/Census/Census.htm> (Accessed 31 July, 2010)

²⁹⁹ EUROSTAT database for regions (Population and area statistics) http://epp.eurostat.ec.europa.eu/portal/page/portal/region_cities/regional_statistics/data/database (Accessed 1 June, 2010)

³⁰⁰ As stated by experts and also part of the Constitution (article 141 and its amendments from 2007)

in many spheres closely related to QoG. However, it should be noted that, in most cases, causality was seen in both directions by the experts.

13.3.1 Economic indicators

Severozapaden has the least FDI in Bulgaria. Both in total and per capita in 2007 and 2008, this region had the smallest FDI in Bulgaria, more than ten times less FDI per capita than the region of Sofia (Yugozapaden) in 2008.³⁰¹ Some experts who were aware of this confirmed that this is a result of poor regional governance, which distracts not only foreign but also Bulgarian investors. Other experts claimed that non-institutional factors, isolated or in combination with QoG, are relevant for investment decisions in the region. Other economic facts and figures also go hand in hand with the perceived QoG of the region. The nominal Gross Domestic Product (GDP) per capita of the region was €2,600 in 2007, which was only 10.3% of the EU-27 average and is about three times the regional GDP of 1997. Taking into account the GDP by Purchasing Parity Standard (PPS), the region had a GDP PPS per capita of €6,400 in 2007, representing 25.6% of the EU-27 average. The Bulgarian national GDP PPS is higher than the GDP PPS of Severozapaden by almost 50%³⁰². These figures also showed Severozapaden to be the poorest region in the European Union. Even though the economic situation is seen to be some extent a result of poor governance, the majority of experts view it as a cause of low institutional quality, and not the opposite.

The unemployment rate in Severozapaden was 7.1% in 2008, which is higher than the Bulgarian average by about a quarter, but was lower than the unemployment rate of few other NUTS 2 regions in the country. Compared to EU standards, the region's unemployment rate in 2008 was almost equal to the average unemployment rate of EU-27, EU-25 and EU-15.³⁰³ However, salary levels are much lower than most EU standards.

13.3.2. Health issues

The health of the inhabitants of the region was pointed out as, in some cases, being influenced by QoG. The financial and equipment capacity of many healthcare institutions, as well as their low accessibility to citizens as a result of infrastructure problems, is considered to affect the quality of these services and, consequently, people's lives. Examples were also given of deaths as a result of conditions mentioned above. Recent data on death rates per capita indeed show higher mortality rates in the Severozapaden region than in other Bulgarian regions.³⁰⁴ However, simple causality in QoG cannot be claimed, keeping in mind many other relevant variables such as the structure of the population (which is older than in all other regions). Health care experts

³⁰¹ FDI in the non-financial sector, NSI data

<http://www.nsi.bg/otrasal.php?otr=7&a1=560&a2=563&a3=565#cont> (Accessed June 20, 2010)

³⁰² EUROSTAT database for regions (Regional economic accounts)

http://epp.eurostat.ec.europa.eu/portal/page/portal/region_cities/regional_statistics/data/database (Accessed 1 June, 2010)

³⁰³ EUROSTAT database for regions (Regional labour market statistics)

http://epp.eurostat.ec.europa.eu/portal/page/portal/region_cities/regional_statistics/data/database (Accessed 1 June, 2010)

³⁰⁴ Data on the number of deaths in the statistical regions in 2009 from the National Statistical Institute of Bulgaria (in Bulgarian) http://www.nsi.bg/ORPDOCs/Zdr_6.1.3_Umr.xls (Accessed 31 July, 2010)

dismiss the idea of human resources in health care as a factor that differs among Bulgarian regions.

13.3.3. Crime rates

Other indicators that go hand in hand with the placement of Severozapaden as concerns the QoG are crime rates. For the last five years (2005-2009) Severozapaden has had the highest crime rate per capita in Bulgaria, with an increasing deviation from other Bulgarian NUTS-2 regions³⁰⁵. Passiveness and not enough dedication to thorough investigations by some law enforcement agencies in the region were stated as some of the causes leading to the occurrence of future crimes. It was also claimed that there is an absence of stronger pressure by the civil society in this regard. Cultural explanations were also offered that were related to the relatively higher number of Roma people in this particular region.

13.3.4 Impartiality in acquiring public services

Apart from being stated over and over as a factor of extreme importance for the quality of services, the perception of the public sector of citizens and a major cause of demographic movements in the region, the socio-economic background of the users of public services also received the “highest grades” for determining their quality. Almost all experts pointed to this factor as being most important. The lack of more thorough investigations in cases in which the party whose rights are in question has to do with a person of lower socio-economic background, as opposed to more highly valued businessmen, was pointed out as an example related to law enforcement services. The economic factor is also stated to influence quality of education and medical services. According to the experts, the socio-economic background of the parents facilitates their children’s educational development, the attention paid by teachers and, definitely, the grades they are given, which further facilitate their advancement. *“Sometimes even getting the right information is a problem [it is not available to economically weaker people], which school for example their children can be admitted to or what is best for them to study at a certain point of time”* is another way that economic factors can play a role in education. When asked about the political factor, some of the experts expressed their opinion that it is related to a great extent to economic factors. They claimed that, in Bulgaria and the region, politicians are among the richest people or are businessmen. This, along with family ties and personal contacts, are highly important factors in acquiring public services. Cultural identity and language differences were said to have very little significance, while gender has no significance in the quality of services acquired.

13.4. Causes of QoG

Judging by the explanations and perceptions of the experts, all indicators, ratings and data related to quality of government that show Bulgaria at the bottom in the EU can be confirmed. There seems to be a broader acceptance in Bulgaria that the country as a whole and the regions separately have lower levels of institutional quality in the EU.

³⁰⁵ Data on the number of crimes in the statistical regions in 2005, 2006, 2007, 2008, 2009 from the National Statistical Institute of Bulgaria (in Bulgarian) http://www.nsi.bg/ORPDOCS/JST_reg_1.1.xls (Accessed 31 July, 2010)

Bulgarian research in good governance in the local authorities also ranks them as very low³⁰⁶. The general opposition to the ranking in this research had to do with the placement of Severozapaden among Bulgarian regions. The main explanation for different citizens' perception in this particular region than in the other regions in Bulgaria is the economic factor which, according to the experts, affects quality of services and citizens' perceptions in many different ways. This case study research in interviews and discussions in Bulgaria and further analyses have, in addition to economic studies, discovered several other institutional, historical and EU factors as being causes of the region's QoG. Almost all factors are highly interdependent.

13.4.1. Regional autonomy

As a cause of higher or lower levels of QoG in the past or the future, opinions and discussions of the real picture of local self-government and the role it might play in the case of changes are brought were very diverse and contradictory. Generally, in Bulgarian NUTS 3 regions, provinces (*oblasti*) are mainly a responsibility of the central government. In contrast, municipalities (*obshtini*), which are smaller units, are elected by citizens and have significant local self-government responsibilities. As regards the process of recruitment of public staff, the so called province administrator (*oblasten upravitel*) is appointed by the central government³⁰⁷. The recruitment of provincial administration and certain practices in the way it works, as stated by some administration experts, are autonomous from the center to a certain degree. According to other experts, the sole fact that provinces are a responsibility of the central government and are not elected and do not depend on the citizens gives greater opportunities for clientelism and 'back-door deal-making' in the administrative work of building a province. In terms of autonomous practices and local self-government and organization, municipalities are the sub-regional units that are more easily discussed. The mayor of the municipality and the municipal council are elected directly by the citizens for a mandate of four years. Recruitment of personnel in the municipal administration is autonomous and more accountable than on the provincial level.

The lack of direct accountability at the regional level is problematic because funds are transferred for the responsibilities delegated from the center to the municipalities, the maintenance of the provincial administrations, the judiciary system and some local units of certain ministries. The region as a whole can expect development funds as a region mainly from European Union funds. Some of the experts pointed to the necessity of a greater importance and extension of the responsibilities and power of the municipalities to provide more accountability over said funds, while others emphasized the historical importance and successful functioning of the tradition in the boundaries of the current provinces. As regards the administrative autonomy of Bulgarian NUTS 2 regions, opinions were again divided. Some experts justified it with the practice present in the EU and US, while others claimed it would not change anything or could even worsen the quality of certain services, especially the three mainly examined here. Many

³⁰⁶ Ombudsman of the Republic of Bulgaria (2009) Стойност на Индекса за добро управление в местната власт за 2009 година, *Position of the index for good governance of local authorities in 2009* (in Bulgarian) <http://www.ombudsman.bg/municipality/results/429#middleWrapper> (Accessed 19 June, 2010)

³⁰⁷ Constitution of the Republic of Bulgaria, chapter 7. Local self-government and local administration (articles 135-146)

pointed out that the present Severozapaden region was “*artificially created*”, which confirms the lack of “regional sentiment” and does not give an impression of potential future development of the region as a territorial administrative unit. Unlike the opinions on the effects of regional autonomy on the quality of government, experts were almost unanimous that regional (local) autonomy helps to stimulate entrepreneurship in the region, its provinces and municipalities.

13.4.2 Education Issues: opportunities for higher education

The basic step that most young people take to “escape” from the region is to study outside the region, mainly in the capital of Bulgaria, Sofia. Then, facing greater opportunities to develop personally, professionally and financially, most decide to remain there. With a population of about one million inhabitants, the Severozapaden region has only one university, the Medical University in the center of the region, Pleven.³⁰⁸ According to experts, some smaller branches of other public or private domestic and foreign universities exist in the region. Taking into account the only university center in Pleven, the vulnerable area of the “former Severozapaden region” (the provinces of Vidin, Montana and Vratsa) is left without any major significant higher education institution. These areas are inhabited by about 470,000 people. On the other hand, the Yugozapaden region, the region of the capital of Sofia, with a population approximately twice as high as the population of Severozapaden, has 23 universities and higher education centers in its territory. These disproportions make a extreme change in the life of the citizens of Severozapaden and its institutions. In terms of a solution to this situation, most of the experts were pessimistic. According to many of them, increasing the number of higher education institutions is not a wise measure. “*There are already plenty of them around Bulgaria (...) Bulgaria is maybe the European country with the highest number of higher education institutions and political parties per capita*”. In addition, according to many of the experts, the quality of education in Sofia is undisputed. The only exit might be seen in the dispersion of parts of Sofia faculties into the region, but the cost-benefit result must be seriously considered. This might solve the problem of economic barriers to people who wish to pursue studies. In addition, making Severozapaden a center of university events and university elite would strengthen the role of civil society and public opinion, which might play a major role in the processes for institutional changes.

13.4.3. Economic factors

13.4.3.1. Infrastructure

The extremely poor social, educational and transportation infrastructure (especially in the provinces formerly constituting the Severozapaden region) is seen as an obstacle to the normal functioning of certain institutions, especially those related to the three sectors mainly investigated in this research (health care, education and law enforcement). “*The ambulance cannot reach them quickly and consequences are disastrous!*” Taking poor infrastructure as a reality, it can be assumed that service delivery in the other two sectors (education and police) might also face these kinds of difficulties. The result is undoubtedly a poorer quality of services to citizens and consequently a negative

³⁰⁸ Economic Atlas of Bulgaria (in Bulgarian), DATAMAP-Evropa OOD Sofia, first edition 2010

perception among citizens of public services. Improvement of the regional infrastructure is one of the main aims in this region's development plan for the period 2007-2013³⁰⁹.

13.4.3.2. Financial capacity and salaries of public institutions

The conditions and the overall financial capacity of institutions in the health care and education sectors in certain areas of the region are desperate. This does not promise quality services and satisfaction for the citizens. This was pointed out as being a huge problem especially for certain neglected and depopulated provinces such as Vidin, Montana and Vratsa (formerly the only provinces constituting the region). Related to the financial capacity is the question of salaries in the public sector. Their extremely low level relative to private jobs (especially in the national capital) diverts young professionals completely from this employment, despite the fact that public jobs offer long term stability and, according to experts, can be considered lifetime employment. As the experts pointed out, urgent measures in this regard are thus needed. *“There are young people with three Master degrees and two foreign languages who work for 400 Bulgarian leva, which means 200 euros per month, you know how much 200 euros are (...) the mayor of the 7th largest city in the country [Pleven] gets half of the salary of a member of the national parliament and the latter does not have any more responsibilities than the former (...) the issue of public sector salaries must be reconsidered as soon as possible”.*

13.4.3.3. Young people and extreme depopulation of the region

One of the first explanations of present and future lower quality of institutions in the Severozapaden region, on which almost all experts and public officials agree and which does not come directly from inside the institutions, is the extreme de-population of the region and high rates of brain drain. Taking into account some population movement figures, there are exceptional data not only for European but also for Bulgarian trends, as Bulgaria is considered one of the countries in Europe with very high depopulation indicators. The region's population decreased by 16.3% for the ten-year period between 1999 and 2009.³¹⁰ This percentage is more than double the Bulgarian average for the same period.

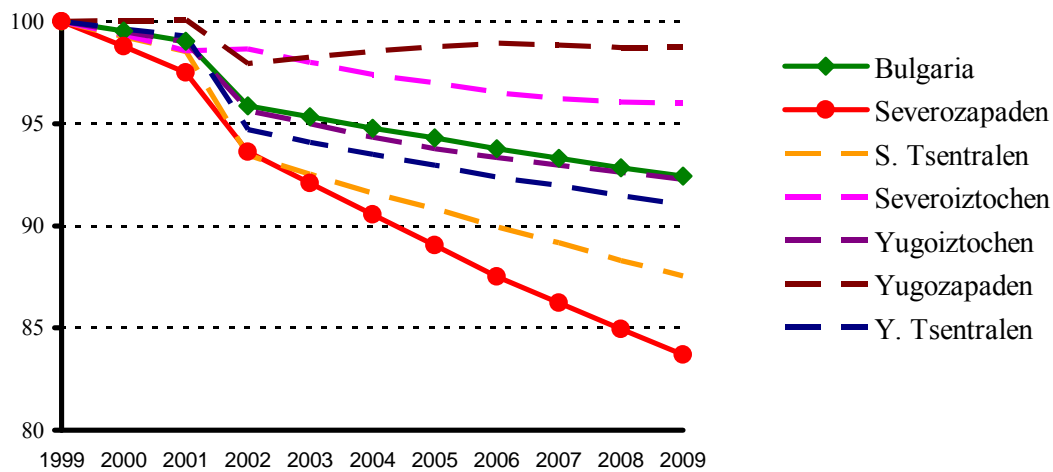
³⁰⁹ Регионален план за развитие на Северозападен район за планиране за периода 2007-2013г. *Regional plan for development of the Severozapaden region for the period 2007-2013* (in Bulgarian) by the Ministry of Regional Development and Public Works of Bulgaria

<http://www.mrrb.government.bg/index.php?do=law&type=4&id=250> (Accessed 18 June, 2010)

³¹⁰ Based on data from EUROSTAT database for regions (Population and area statistics)

http://epp.eurostat.ec.europa.eu/portal/page/portal/region_cities/regional_statistics/data/database (Accessed 1 June, 2010)

Figure 13.2. Population decrease in Bulgaria and Bulgarian NUTS 2 regions for the period 1999 to 2009 (the initial population in 1999 is set to 100)



Source: Eurostat³¹¹

Figure 13.2 shows the decrease in the population of Bulgaria and Bulgarian NUTS 2 regions for the period 1999-2009. The population decrease is said to be due primarily to the very high rate of emigration (mainly among young people) and the highly negative natural population growth (difference between births and deaths).

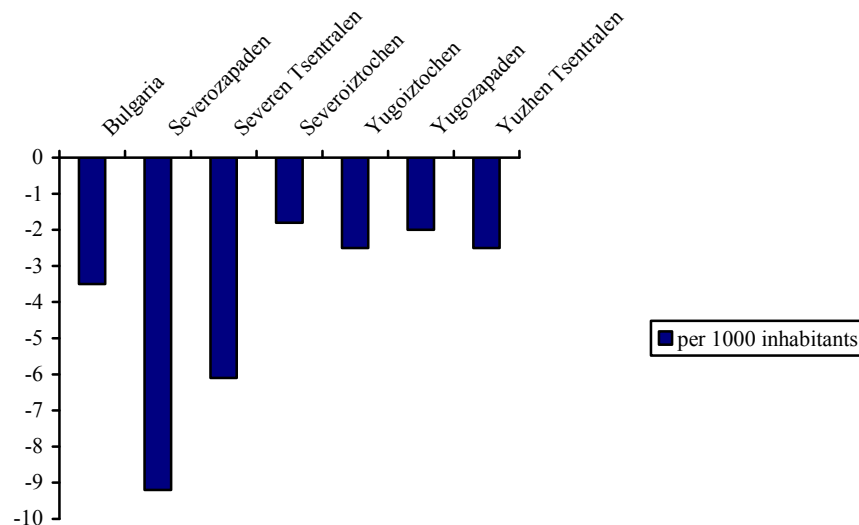
Figure 13. 3 compares natural population growth (only a decrease applies in the Bulgarian case) of all Bulgarian NUTS 2 regions. Assuming that these trends continue at the same intensity, there will be no people in this region in approximately a half a century and, consequently, no institutions whose quality we can study. Extreme statements of this kind were made by many of the experts who claimed that young people were hardly seen in some areas of the region. This demonstrates the argument behind the explanation that regional depopulation affects quality of government. The absence of young people in the region, who abandon it and move to the capital of Bulgaria and abroad, take their qualities, knowledge, competences and ideas out of the region. The situation was said to be more severe in the area formerly comprising the Severozapaden region (Vidin, Montana and Vratsa).

³¹¹

Based on data from the EUROSTAT database for regions (Population and area statistics)

http://epp.eurostat.ec.europa.eu/portal/page/portal/region_cities/regional_statistics/data/database (Accessed 1 June, 2010)

Figure 13.3. Natural population increase (difference between births and deaths per 1,000 inhabitants) in Bulgaria and Bulgarian NUTS 2 regions in 2009



Source: National Statistical Institute of Bulgaria³¹²

Table 13.2 presents the same demographic indicators for the provinces of the Severozapaden region.

Table 13.2. Ranking of Bulgarian NUTS 3 regions in Severozapaden regarding two demographic indicators (population change 1999-2009 and natural population increase in 2009)

Province	Population change	Province	Natural population increase
Pleven	-7.85%	Pleven	-7.4‰
Lovech	-12.99%	Lovech	-7.8‰
Montana	-17.18%	Vratsa	-9.4‰
Vidin	-20.52%	Montana	-10.4‰
Vratsa	-21.87%	Vidin	-13.7‰
Severozapaden	-16.30%	Severozapaden	-9.2‰

Source: Eurostat and National Statistical Institute of Bulgaria³¹³

³¹² Data on the natural population growth of statistical regions in 2009 from the National Statistical Institute of Bulgaria www.nsi.bg (Accessed 1 June, 2010)

³¹³ Based on data from EUROSTAT database for regions (Population and area statistics) http://epp.eurostat.ec.europa.eu/portal/page/portal/region_cities/regional_statistics/data/database (Accessed 1 June, 2010) and data on natural population growth for 2009 from the National Statistical Institute of Bulgaria (Accessed 5 June, 2010)

13.4.4. Legal and administrative factors

13.4.4.1. Recruitment processes

In terms of the process of recruitment of new employees, the experts maintained that contacts are very important in the hiring processes, speaking generally about the region. Many of them stated that almost all public officials and employees have been hired on the basis of political, personal or business contacts. *“I do not say it should be like that, but that is the Bulgarian reality”* said one administrative representative. Assuming that contacts are very important, even in developed European countries, the opinion of Bulgarian experts is that what is different in Bulgaria is the nature of the connections. Discussing these practices in Europe and Bulgaria, the conclusion was that, unlike practices in developed European nations where professional, business and contacts based on merit principles are dominant, *family and personal contacts are the main basis* in Bulgaria for decisions about hiring new employees. These types of contacts do not usually not satisfy competence requirements, according to some of the experts. Another possible explanation here was mentioned earlier in this report: the existence of very small municipalities in this particular region. *“Smaller municipalities, less people, more personal contacts...”* What was agreed upon by most of the experts, especially in broader, common discussions with several experts, was that there are no fundamental differences in the other NUTS 2 regions of Bulgaria. The approximate length of hiring processes according to some of the experts was one month, and the procedure was said to be executed in accordance with the laws dealing with legally and publicly announced job advertisements, commissions responsible for selection and clear criteria. As regards the issue of recruitment of new employees and the size of the local administration in the region, several experts pointed to paradoxical trends in the demographic character of the region. It was claimed that there was an increase in the administrative size despite the demographic decline.

Another paradoxical situation was noted as concerns payments in the public sector. Many young people who study public administration or political science in the capital of Sofia prefer to live and work in public institutions there despite the fact that salaries in the public sector do not differ significantly around Bulgaria and that the cost of living in the capital city, generally and especially for a young person moving to the capital, is much higher. The whole depressive appearance of the region (especially in “the former Severozapaden region”) and other difficulties related to infrastructure and options for prosperity make young students start a new life in the capital, also in the public sector. This also refers to young people from families in the political elite, according to professors or parents who were interviewed.

Taking these trends to be true, if, on the one side, employment in the public institutions is mainly based on personal and family ties and, on the other side, young people who are competent for jobs in the public sector, including those with personal ties in the administration, then it seems to be very easy to conclude that the public employees that are left in the region are definitely lower quality than in many other areas, especially richer Bulgarian regions.

13.4.4.2. Control of irregularities and protection of whistle-blowers

According to Bulgarian laws and regulations, political seniors or heads of departments are the first instance that should be notified by public employees in the case of irregularities. Experts and employees from these sectors agreed that irregularities and misunderstandings are usually solved within the institution. However, unlike in regions such as Västra Götaland where such prevention policies have been effective, fears of repercussions exist, as stated by the experts, who admit irregularities are rarely revealed. One type of evidence is the fact that *“most of the signals for corruption in the state administration are anonymous.”* Media representatives also confirm that they are rarely used to report information about such irregularities. Some of the experts and administration representatives said that legal frameworks for the protection of whistle-blowers and their implementation are being worked on at the moment but, again, being aware of the true situation in Bulgaria when talking about implementation of such laws, it is unclear when the country and consequently the region would feel freer in this question.

In the event that someone does report improper behaviour, there are departments inside the institutions that are responsible for investigating and deciding on certain disciplinary measures. For example, citizens have the option to forward complaints to the national ombudsman. Recently, according to administration representatives, many administrative units in Bulgaria and consequently in the region have provided citizens with the opportunity to easily inform institutions of such misconduct by calling phone numbers specially opened for that purpose and publicly available, public post boxes for sending them and other forms of cooperation between citizens and institutions regarding this issue. However, administration representatives and other experts expressed their uncertainty of the effectiveness of these measures, seeing the passiveness of the general public as a huge problem. Even more worrisome according to some of the experts, is the problem that all these forms of signaling irregularities are inside the same institutions that might be blamed. The probability that citizens would call or go to such places and openly talk about problems and misconducts in the acquiring of public services is very low, they say, and add that a body outside and independent of public institutions should be responsible for investigating such offences. It should be noted that, during the conduct of this case study, the first ever election processes of most local ombudsmen in Bulgaria (including the center of the region) were in progress³¹⁴.

Although most of the experts agreed that public pressure is hardly present in the region and can in no case be said to be able to act as a constraint on the authorities, there is some room for optimism. According to experts and journalists, the interest of the general public in the quality of public services has been rising despite the slow impact it has: *“For the last decade there has been a stronger interest of the society when corruption cases have been revealed. Citizens express their dissatisfaction, but at the moment mainly in informal conversations with relatives and friends, internet forums and blogs.”* Moreover, there has been a recent influx of projects to fight corruption in cooperation with European foundations, Western European local administrations or other national/foreign organizations in many municipalities of the region. Significant projects of this kind were, for example, mentioned to be ongoing in the municipality of Mezdra in cooperation with national and Dutch foundations. As to corruption cases and scandals, no cases of any great significance were mentioned. Most of the corruption scandals in the

³¹⁴ ACTUALNO (2010) Пет кандидати за омбудсман на Плевен *Five candidates for ombudsman in Pleven* (in Bulgarian), http://society.actualno.com/news_296764.html (Accessed 18 June, 2010)

country are said to happen in the region of the capital and on the Black Sea, which are all regions which host more significant economic and investment activities. Two contrasting conclusions might be drawn based upon this statement. On the one hand, it can be concluded that Severozapaden is so poor and unattractive for investors that it does not provide a good field for corruptive acts. However, on the other hand, the reason for the alleged non-existence or unawareness of major corruption cases might actually be that there is an absence of actions taken by responsible authorities or the general public in disclosing and/or investigating such cases.

13.4.4.3. Transparency, disclosure of information of public character and e-services

As described previously, the Bulgarian administration has recently made huge progress in this regard. Despite the passiveness alleged by citizens regarding the issues discussed in the previous sub-section, many Bulgarian municipalities and provinces (including those in the region) have their own websites and other forms of giving information about their activities and major decisions. This is one of the major pre-conditions in order for citizens to be better informed and more proactive in the institutional development of the region. However, further openness in regional administrations, including information on recruitment processes, contracting documents, financial data etc., is still necessary for Bulgarian regions at the moment³¹⁵.

Despite the statements of Pleven administrative representatives about the outstanding e-services in the largest municipality of the region, the number and usage of e-services in the region is generally very low. A broader inclusion of services in the electronic functioning of local administration, information to citizens and cooperation with other factors (internet banking services etc.) is yet to be in place. It is seen as a process that facilitates relations between the authorities and the citizens, which is noteworthy in the present situation with transport infrastructure. This is, among others, a good tool in fighting partiality in the acquirement of public services, which was stated to be present in the region. During the conduct of this case study, a project to establish a so called “*e-oblast*” (e-area) in Northern Bulgaria was initiated³¹⁶.

13.4.5 The Media

The economic factor was pointed out by some journalists as the main obstacle to the total freedom and independence of the press in the region. The economic weaknesses of the media in the region make them incapable of doing research into and informing about certain topics, unable to offer higher salaries, which would improve the quality of information, unable to protect themselves from certain political and business elite and easily allow them to become a tool of private business interests. While the last was pointed out as a weakness of mainly private media, on the other hand, state owned media were said to be not fully independent from political powers. There was not much agreement as to whether public or private media news is more reliable, but it was mainly

³¹⁵ Ombudsman of Bulgaria (2009) “Insufficient reporting and transparency of authorities is a chronic problem of Bulgaria” <http://www.ombudsman.bg/municipality/initiatives/227> (Accessed 19 June, 2010)

³¹⁶ Посредник *Posrednik* (2010), Започна създаването на е-област в Северна България *The establishment of e-oblast has been initiated* (in Bulgarian) http://www.posredniknews.com/site/index.php?option=com_content&view=article&id=7668:2010-05-18-09-09-48&catid=53:2009-04-22-12-30-24&Itemid=312 (Accessed 18 June, 2010)

agreed that media in the region do not have total freedom in giving information about events in most of the social spheres, including corruption. Nevertheless, regarding the independence of media, there was agreement by journalists that there is absolutely more freedom of press today than twenty or ten years ago. “*There was only one party some 20 years ago (...) either you wrote what was asked from you to write or you were sent ‘down to the street’.*” The conclusion was that media in the region are becoming more and more independent and free to write about all kinds of topics, but primarily the economic factor is still important for the building of better and more independent ways of informing about local/regional events and transforming the media into a more significant player in the institutional development.

13.4.6. The neglect and insignificance of the region

Certainly as a consequence and a cause of QoG, according to the experts, the roots of all the obstacles to both the economic and institutional development of the region lay in its long-lasting neglect and insignificance. Even though the region is on the Danube River and borders two countries, historical and economic circumstances have influenced the significance of its position. This is mainly due to the considerable international isolation of Bulgaria after the Second World War when, combined with the high degree of centralization, most of the national finances and efforts were directed to other regions (the Black Sea Coast and the capital). After the democratic changes, regions close to Greece and Turkey gained more importance, making Severozapaden again further less significant and attractive for FDI. Prognoses and experts predict that the construction of the Danube Bridge and railway line between Vidin and Calafat, which is expected to be opened in 2011, will be of great importance for the region. Currently, the only bridge between Bulgaria and Romania on their 463 km long Danube river border is located at Ruse, far away from this region.



Figure 13.4. Major traffic signs in Sofia

Only Vidin (ВИДИН), one of the main border cities on the Danube River in the Severozapaden region, is not transliterated in the Latin alphabet, which shows its perceived international insignificance at the present.

Svilengrad, a border town near the Greek and the Turkish border is transliterated (more significant) even though it is three times smaller³¹⁷.

³¹⁷

Photos taken by the author of the report in May, 2010

13.4.7. EU impact/changes in the region

Most experts assure that the accession of Bulgaria to the EU, of which it has been a member since January 2007, has positively affected the quality of services offered by public institutions in the region. Some experts are unsure whether the time from which improvements began is exactly the same time as the accession, but they agree that the whole process of reforms before and after the accession of Bulgaria to the Union brought huge changes in the legislation, practices and behaviour of the institutions present in the region. It should be noted that there were one or two cases of disagreement with these statements, which prevents us from saying that specialists and public officials unanimously claim quality of government to have increased since 2007 or as a result of the accession reforms before or after. In addition, it was occasionally stated that “*if a referendum is to be held tomorrow, citizens may not support the EU membership*” claiming the existence of early ‘disappointment’ of Bulgarian citizens and people living in this region over the European Union. “*Cost of living is becoming more and more European, while public administration salaries remain Bulgarian*” was one of the statements made by a young employee in one of the local administrations in the region.

With regard to institutional improvements made as a result of EU membership, one of the main conditions for the inclusion of Bulgaria to the EU was actually the public administration reform. The whole process of accession to the EU and the reforms undertaken in that process brought the adoption of new rules, norms and practices in all central and local institutions in Bulgaria. According to the experts, local public authorities and services began to implement “*more European rules*” related to the increase in impartiality and transparency in the provision of public services. The opinion about the reality of more transparent municipalities after EU accession is shared by almost all of the experts. In this way institutions are considered to have become much more available and responsible to the citizens. Several changes were pointed out in the three social services that were the main focus of the research here. As regards the law enforcement services, it was stated without doubt that “*police has become more ‘constrained in its acts’ (...) and policemen cannot use batons as much as they used to.*” It was added that additional campaigns were carried out to make law enforcement institutions closer to the citizens, their clients. Several new practices and exchanges of ideas are characteristic for the education services. New programs and teaching models have been introduced in schools (especially secondary schools), the initial results of which are seen as positive by the experts. A very important fact in terms of education and especially universities is the greater cooperation between Bulgarian and many other European universities and schools. “*We have become more open to the world*”. In this way experts see the possibility for building a more competent public administration with young employees educated under the new European programmes both in the country and abroad. Similar spill-over effects were noted by specialists in the health care sector, who gave examples of new programmes in the work of public health organizations the treatment of certain diseases. Last, but definitely not least, the possibility of forming development projects and using EU funds to finance them is seen as a very important tool in the battle against the economic underdevelopment of certain parts of the region, poor infrastructure and highly negative demographic trends. Apart from the many projects, mainly addressing economic issues and indirectly affecting quality of government, many others refer to fighting corruption, promotion of good governance and a higher societal

involvement in the democratic and administrative processes. However, despite the many points of reforms and changes in the region and the greater opportunities for both economic and institutional development created with EU membership, experts mainly agree that changes are not that rapid, or at least not in some areas of the region, and that improvement in the three services has been subtle. When asked about their perceptions of the future (in a five year period), the experts unanimously expected, or at least hoped, that the quality of government would improve.

13.4.7.1. EU Cohesion Policy

With a GDP per capita below 75% of the EU average, the Severozapaden region and all other regions in Bulgaria are part of the so called Convergence objective (objective 1). In total, €6.7 billion are allocated to Bulgaria under these objectives. The main priorities of the EU Cohesion Policy for Bulgaria for the period 2007-2013 are: improvement of transport infrastructure and accessibility, research and innovation, business support, modern broadband networks and e-services, employment measures and environmental, risk prevention and energy projects. It is estimated that, by 2013, the EU Cohesion Policy will contribute to increasing the GDP per capita in Bulgarian regions to 51% of the EU average³¹⁸.

Four of the five NUTS 3 regions of the Severozapaden region are involved in the operational programme “Romania-Bulgaria”. The program involves 15 NUTS 3 regions on the border between the two countries whose marginality and isolation from the economic and decision-making centers are considered to be increased by the presence of the border. The aim of the program with a budget of €262 million is to bring people, institutions and businesses from both sides of the border together to establish broader cross-border economic development cooperation³¹⁹.

One of the most important projects for the Severozapaden region, Bulgaria and Romania, is the Danube Bridge project for connecting Vidin (Severozapaden) and Calafat in Romania. The construction of the bridge and the railway line will not only enormously facilitate the transportation from Western and Central Europe to Southeastern Europe and Turkey, from which the region will benefit greatly, but will also strengthen the cooperation between the two countries. It costs €226 million (€70 million from EU funds) and is expected to be opened in 2011³²⁰.

13.5. Conclusions

This case study, which is part of broader research measuring the quality of government (QoG) and subnational variation in the European Union, was conducted in the Severozapaden region of Bulgaria in May, 2010, which according to the largest QoG survey to date had been classified as the weakest performing EU NUTS 2 region. What could be seen throughout the study of this region is a good number of more or less significant, but very reasonably argued explanations and conclusions for the perceived

³¹⁸ “EU Cohesion Policy in Bulgaria” publication
http://ec.europa.eu/regional_policy/sources/docgener/informat/country2009/bg_en.pdf (Accessed 1 June, 2010)

³¹⁹ “Operational programme ‘Bulgaria-Romania’” publication
http://ec.europa.eu/regional_policy/country/prordn/details_new.cfm?gv_PAY=BG&gv_reg=ALL&gv_PGM=1291&LAN=7&gv_per=2&gv_defL=7 (Accessed 18 June, 2010)

³²⁰ Regional Policy – Inforegio “New Danube bridge to speed up international traffic” published at the
http://ec.europa.eu/regional_policy/atlas2007/index_en.htm (Accessed 1 June, 2010)

weak institutions and services in the region. They were suggested and elaborated by valuable experts working in the region and were solidly supported in the further analyses presented in this report. What almost all these arguments and determinants for institutional development of the region have in common is their direct or indirect relation to this region's economic background. This brings us again to the so called "chicken or egg dilemma" when it comes to the causality direction between institutional and economic development. Furthermore, information presented by experts shows much lower interest on the part of foreign and domestic investors in the region as a result of the perceived quality of government. Keeping in mind that Severozapaden and especially certain areas inside it are economically considerably underdeveloped, the result of this case study might be considered a good argument for the scientific theory arguing that, in democratic societies, initial economic development is required for long-term institutional development, which then leads to further economic development (Charron and Lapuente 2010).

Certain essential economic factors such as poor infrastructure and the financial capacity of institutions have been shown to be one of the causes of a lower quality of public services. Extreme depopulation of the region combined with continuous brain drain, as a result of issues of deeper economic and opportunities, is seen as one of the major obstacles to future economic and institutional development. Poor higher education opportunities and traditions in the region not only negatively affect demographic trends, but also institutional capacity and building of the civil society. In contrast, the outstanding Romanian region Nord-Vest has deeper university traditions and a dramatically higher number of quality universities. In addition, because of the economic weaknesses of media, as pointed out by some of the experts, independence and freedom of the press in the region is not on a satisfactory level; the opposite was assumed to be one of the reasons for a higher level QoG in Nord-Vest.

Better control regarding irregularities, protection of whistle-blowers and higher levels of transparency are also seen as vulnerable issues for the institutional development of the whole of Bulgaria, not only the region discussed here. The role of the general public in this regard is still considered negligible, which is not the case in the Nord-Vest region of Romania. The roots of most of the problems discussed here, as evaluated by many experts, are in a combination of historical, political, economic and other factors related to the neglect, relative insignificance and the lack of openness of the region. Unlike Severozapaden, the openness of Nord-Vest is considered to be one of the bases of its institutional quality. The accession of Bulgaria to the EU and especially the EU project support and cooperation is seen as a significant tool that makes a positive contribution in this regard and affects economic development and QoG improvements. As a final remark, one of the statements and conclusions made by all experts in the region gives a great deal of hope and promise for the future institutional development of the region. Despite the current situation, the background of the region the very difficult and slow progress, all the experts are convinced of and dedicated to the progress of the region stating in a clear voice: "Nie varvim napred!" (We move forward!).