

# Territorial Disparities in Italy. The Campania Case: Appraising the Successes and Failures of 25 years of Cohesion Policy Support.

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## Abstract

Territorial disparities in Italy have been a long-term critical node for the Italian State; a node that lies still largely unresolved. Since the abolition of the centrally-managed Special Intervention, in the early-1990s, European Cohesion policy has represented the most important explicit policy response to the aim of closing the economic and social gap between Centre-North and South of Italy (albeit not the most important tool financially). There is unanimous consensus that this gap is still considerable, but not on the related causes, namely whether and to which extent they can be linked to policy failure. A useful way to frame this question is to appraise ex post the 'utility' of this policy, i.e. what it has achieved (irrespective of its explicit goals) and whether it managed to address the 'right' policy needs. Thus this paper presents an appraisal of Cohesion policy support in Campania over the period 1989 to date, focusing on the concept of utility. It draws from an investigation of Cohesion policy support in Campania over four subsequent program periods, entailing: desk-research on the circa forty Cohesion policy programs implemented since 1989; a detailed analysis of monitoring and expenditure data; 73 semi-structured interviews with privileged observers; and an online survey administered to circa 800 stakeholders. It is the first time that a study of this scale has been undertaken, as previous analyses have tended to focus on distinct policy phases or instruments. In assessing utility, the paper will shed light on elements of success and failure, and the reasons behind them, bringing out the mechanisms of change and the role of path dependency in determining policy outcomes.

## 1. Introduction

Territorial disparities in Italy have been a long-term critical node for the Italian State; a node that lies still largely unresolved. Since the abolition of the centrally-managed Special Intervention, in the early-1990s, European Cohesion policy has represented the most important explicit policy response to the aim of closing the economic and social gap between Centre-North and South of Italy (albeit not the most important tool financially). There is unanimous consensus that this gap is still considerable, but not on the related causes, namely whether and to which extent they can be linked to policy failure. A useful way to frame this question is to appraise ex post the 'utility' of this policy,

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i.e. what it has achieved (irrespective of its explicit goals) and whether it managed to address the 'right' policy needs. We use the concept of utility, rather the more clear-cut (conceptually) 'effectiveness', mainly in response to the diversity, variability and vagueness, particularly in earlier periods, of the policy goals stated in the many programs through which the policy has been implemented.<sup>2</sup>

This paper focuses on the region of Campania: the largest region of the Mezzogiorno both in terms of population and GDP, and one of the most lagging regions of Italy and, therefore, historically one of the principal recipients of regional development policy support in the country. In this paper we reflect on the utility of Cohesion policy in this region since the first major reform of Cohesion policy of 1988, and on the key factors which we deem to have enabled or hindered the policy's performance.

We undertook this research as part of a wider evaluation for the European Commission (DG Regio)<sup>3</sup> which considered a broader range of issues relating to the implementation and impact of Cohesion policy in this region and beyond, namely the relevance and effectiveness of programs, good and bad practices, and lessons learnt. We thus refer the reader to the full case study report, about to be published in DG Regio's website,<sup>4</sup> for a fuller and more detailed account of the results of the research.

In principle, utility can be appraised in two ways: first, by assessing whether the region's needs and problems have changed for the better and, if so, whether the Cohesion policy programs, and specifically those cofinanced by the European Regional Development Fund, played a role in this change; second, by considering whether the 'right' needs were addressed, i.e. making a judgment about whether the achievements realized were those that were most needed to improve the situation and development prospects of the region for the longer term. In this paper, we focus on the first of these two possible dimensions of utility, conscious of the complexity of the subject matter and of the normative implications that the second dimension presents. In order to assess the utility of Cohesion policy in Campania, therefore, we compare and contrast: (i) the economic and social development of the region at the beginning of the study period and today; (ii) the policy effort, i.e. the programs' strategies and the expenditure realized (which differed from the initial financial plans); and (iii) the achievements delivered by the policy, for instance, the number of km of roads constructed (output) and the related change on travelers' commuting times or pattern of usage of public transport (result). Doing this, enables us to infer the extent to which the achievements realized by the policy, in their interplay with other policies and other developments exogenous to it, have contributed to the change in the socio-economic situation of the region and whether they have contributed, in doing so, to address the region's main socio-economic development needs.

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<sup>2</sup> In the research, utility has been interpreted as 'the extent to which programmes led to impacts that are in line with 'society's needs and to the socio-economic problems to be solved' which may differ from the goals explicitly stated in the programmes themselves or which may not have been stated explicitly in the programmes. This requires a reassessment of the needs that the programmes should have addressed'. The concept of utility is particularly useful where objectives are not explicitly defined or are poorly defined, or when unforeseen effects are anticipated. The related concept of utility is starting to emerge as a more topical element in the framework of Cohesion policy evaluation. See Bachtler et al (2012).

<sup>3</sup> Evaluation of the main achievements of Cohesion policy programmes and projects over the longer term in 15 selected regions (from 1989-1993 programme period to the present) (2011.CE.16.B.AT.15).

<sup>4</sup> [http://ec.europa.eu/regional\\_policy/information/evaluations/index\\_en.cfm](http://ec.europa.eu/regional_policy/information/evaluations/index_en.cfm) .

The research rested on a composite methodology, devised to enable the triangulation of sources and to overcome the many information gaps that a study of this longitude naturally presented. It comprised:

- (i) extensive desk-research, covering the circa 40 programs implemented in the region since 1989, inclusive of a review of program documents (programs and program complements, annual and final implementation reports, program evaluations), independent studies and academic research;
- (ii) the acquisition – from both primary (national and regional monitoring data, project registers) and secondary sources (programs’ annual and final implementation reports) - and measure by measure reclassification of program expenditure;
- (iii) a structured program of face-to-face semi-structured interviews (73), realized in the region of Campania (mostly in Naples, but also in Salerno and other locations), Rome and Brussels, in order to cover the variety of regional and multi-regional programs, intervention fields, and perspectives (politicians, senior national and regional level officials, actors engaged in policy implementation and delivery, evaluators and academics, other stakeholders);
- (iv) an online survey on the relevance and impact of Cohesion policy programs sent to c. 800 contacted respondents (local authority, firms, regional and local-level social partners, third sector organizations, trade unions and other stakeholders);
- (v) a regional workshop, held in Naples in October 2012, attended by key regional and national level civil servants, evaluators, academics, politicians and socio-economic partners from all program periods, in order to discuss and validate preliminary research findings; and,
- (vi) the realization of three in-depth project case studies in different fields (major infrastructure investments, enterprise support, and cultural and social interventions), which were essential to understand the concrete mechanisms through which the policy determines change on the ground.

The paper is organized as follows: Section 2 briefly reviews the situation of Campania at the outset of the program period, identifying the needs to be tackled, and the evolution of the regional situation against such needs. Section 3 discusses the policy effort, i.e. the programs’ goals, financial allocations and actual expenditure, i.e. what the policy set out to do and where it directed resources. Section 4 summarizes the main achievements realized (in vary summative terms). Having discussed achievements, we then turn to the appraisal of utility (Section 5) and disentangle the factors lying beneath this (Section 6). We conclude with some forward-looking reflections (Section 7).

## **2. Appraising Need – Campania at the beginning of the study period**

The first step to assess the policy’s utility is to make a judgment about the needs that the policy ought to have addressed, i.e. to reflect on the situation of the region at the outset of the study period, i.e. the development ‘problem’ to be solved. This entails considering the social, economic and environmental challenges faced by the region and thus its levels of economic development,

social capital, infrastructure endowment, and territorial distribution of service provision and economic activities.

At the end of the 1980s, Campania was one of the poorest regions in Italy, with a GDP per capita amounting to 66 percent of the national average. Large industrial firms, mainly located in the coastal area, had started to fail leaving a legacy of polluted brownfields that required reclaiming and loss of jobs, and thus the necessity to provide employment opportunities for the region's large population and tap into the growth and employment potential represented by tourism and the cultural industries. The process of economic transition from an economy dominated by the service sector (mainly public) and large manufacturing firms, to a more complex productive structure of medium and large firms co-existing with clusters of SMEs required supporting the existing and incipient industrial clusters - mainly active in light industry or agro-industry, formed by small and micro-firms, and partly operating in the shadow economy - in order to strengthen them, thus absorbing unemployment and exploiting existing skills and entrepreneurial abilities (Meldolesi and Aniello, 2008). Partly related, the region also needed to develop its research potential and to build linkages between research and the productive sector. However, a slow civil justice, and high levels of illegality and crime (also organized crime) obstructed development of the productive system and the attraction of FDI.

The labor market was plagued by high levels of undeclared work, low activity rates, especially for women, and high unemployment rates and characterized by a low-skill equilibrium. Poverty levels were considerably higher than the national average and a 'traditional' understanding of family, societal ties and gender patterns were more entrenched than in other parts of Italy, with negative impact on the educational attainments of women and their participation in the labor market.

Thanks to the investments realized by the *Cassa per il Mezzogiorno*, the endowment of transport infrastructure was in line with (comparatively low) Italian standards, but the infrastructure needed to be expanded and upgraded to meet the demands of a growing population in the highly urbanized areas, improve infra-regional connectivity and support economic activities. A range of territorial cleavages also needed to be addressed: the metropolitan area of Naples, which was growing in population, needed housing, public services (health, education, childcare etc.), upgrading of basic infrastructure (e.g. water and waste water networks) and measures to relieve congestion, whilst at the same time the region's internal areas required to be better linked with the main poles and to diversify their economies. Important environmental challenges also needed to be addressed, such as soil erosion, the pollution of freshwater and coastlines, air quality in the most heavily urbanized areas and the need to decontaminate brownfield sites.

Thus, at the beginning of the study period, the region faced a composite and complex set of needs that required prioritization in the framework of a balanced development strategy: on the one hand, it was necessary to make explicit choices with regard to the trade-off between competing objectives, such as economic growth, social equity and quality of life; and, on the other, having established the main overarching goals, it was necessary to decide upon the best way to achieve them, i.e. what combination of investments to realize and in which time sequence, implicitly or explicitly espousing development theories as a basis for strategy. It was also necessary to decide upon the role to be assigned to Cohesion policy relative to other policies in such a strategy, i.e. what investments it would fund and what investments would be funded by other strands of public capital investment

programs. For a relatively young regional authority with low administrative capacity and little experience of economic development programming, this was a tall order on all accounts.

### 3. The Policy Effort: Strategies and investments

Due to its persistent underdevelopment relative to EU averages, Campania has been eligible for ERDF throughout the entire period from 1989 to date amongst the group of regions eligible to receive the maximum intensity of support: the so called Objective 1/Convergence regions.<sup>5</sup> As such, it could draw upon a range of investment programs: regional programs managed directly by the regional authority; multi-regional/national programs managed by national ministries; Community Initiative Programs delivered under the direct responsibility of the European Commission (one of the most significant of which, for this region, has probably been the Urban Community Initiative); Global Grants, entrusted to intermediary organizations (stakeholder groups such as entrepreneurial organizations or local authorities), as well as other forms of support (particularly in earlier years, notably the 'Integrated Operation Naples' and 'Integrated Mediterranean Program' in the first program period, 1989-93). Over the entire period, the region received investments from over forty investment programs.

**Table 1: ERDF inclusive operational programs implemented in Campania 1989-2013**

	1989-93	1994-99	2000-06	2007-13
<b>Overarching strategies</b>	Objective 1 Community Support Framework	Objective 1 Community Support Framework	Objective 1 Community Support Framework	National Strategic Document
<b>Regional programs</b>	Pluri-Fund Operational Program Campania	Pluri-Fund Operational Program Campania  Operational Program Pianura	Regional Operational Program Campania	Regional Operational Program Campania (ERDF)
<b>National programs</b>	Multi-regional Operational Programs: <ul style="list-style-type: none"> <li>• Energy/ gas distribution</li> <li>• Assistance to industry and services</li> <li>• Industrial areas</li> <li>• Telecommunications</li> <li>• Tourism</li> <li>• Water resources</li> <li>• Technological research and development</li> </ul>	Multi-regional Operational Programs: <ul style="list-style-type: none"> <li>• Environment</li> <li>• Energy</li> <li>• Industry, craft and services</li> <li>• Technical assistance</li> <li>• Legality and security</li> <li>• Civil protection and public works</li> <li>• Road infrastructures</li> <li>• Water resources</li> <li>• Tourism</li> <li>• R&amp;D, Technological Development and Higher Education</li> <li>• Railway transport</li> <li>• Telecommunications</li> <li>• Airport Infrastructure</li> <li>• Education</li> <li>• Territorial Pact for Employment</li> </ul>	National Operational Programs: <ul style="list-style-type: none"> <li>• Legality and security for development</li> <li>• Local Entrepreneurial Development</li> <li>• Scientific research</li> <li>• School</li> <li>• Transport</li> <li>• Technical assistance and systemic actions</li> </ul>	National Operational Programs: <ul style="list-style-type: none"> <li>• Research and competitiveness</li> <li>• Mobility</li> <li>• Learning environments</li> <li>• Legality and security</li> <li>• Governance</li> </ul> Inter-regional Programs: <ul style="list-style-type: none"> <li>• Cultural heritage</li> <li>• Energy</li> </ul>

<sup>5</sup> Renamed 'less developed regions' for the forthcoming programme period (2014-2020).

### 3.1 Strategies

The concept of 'strategy' developed over the study period, however: fully-fledged program strategies were not in place for the first two program periods, despite the formal existence of Community Support Frameworks (which provided limited actual direction). A well-developed strategy for the development of the region emerged only in 1999, informed by the 2000-06 Objective 1 Community Support Framework (CSF).

Nevertheless, as required by European regulations, also the early programs enunciated a range of objectives to be reached. For instance, the 1989-93 regional program (POP Campania) had three global objectives: increase in employment levels; improvements in quality of life; and competitiveness of the regional system. The 1994-99 POP had four global objectives - strengthening infrastructure; modernizing productive structures; developing non-traditional sectors; and improving quality of life - at the same time as the OP Pianura and Global Grant 'Naples historic center' focused on the physical and social regeneration of these parts of Naples, and the 15 MOPs supported mainly enterprise (including support to local development), transport infrastructure (roads, railways, and airports), and research and innovation. For both the ROP and the MOPs, the main strategy in these first two program periods revolved around the creation of public and private capital.

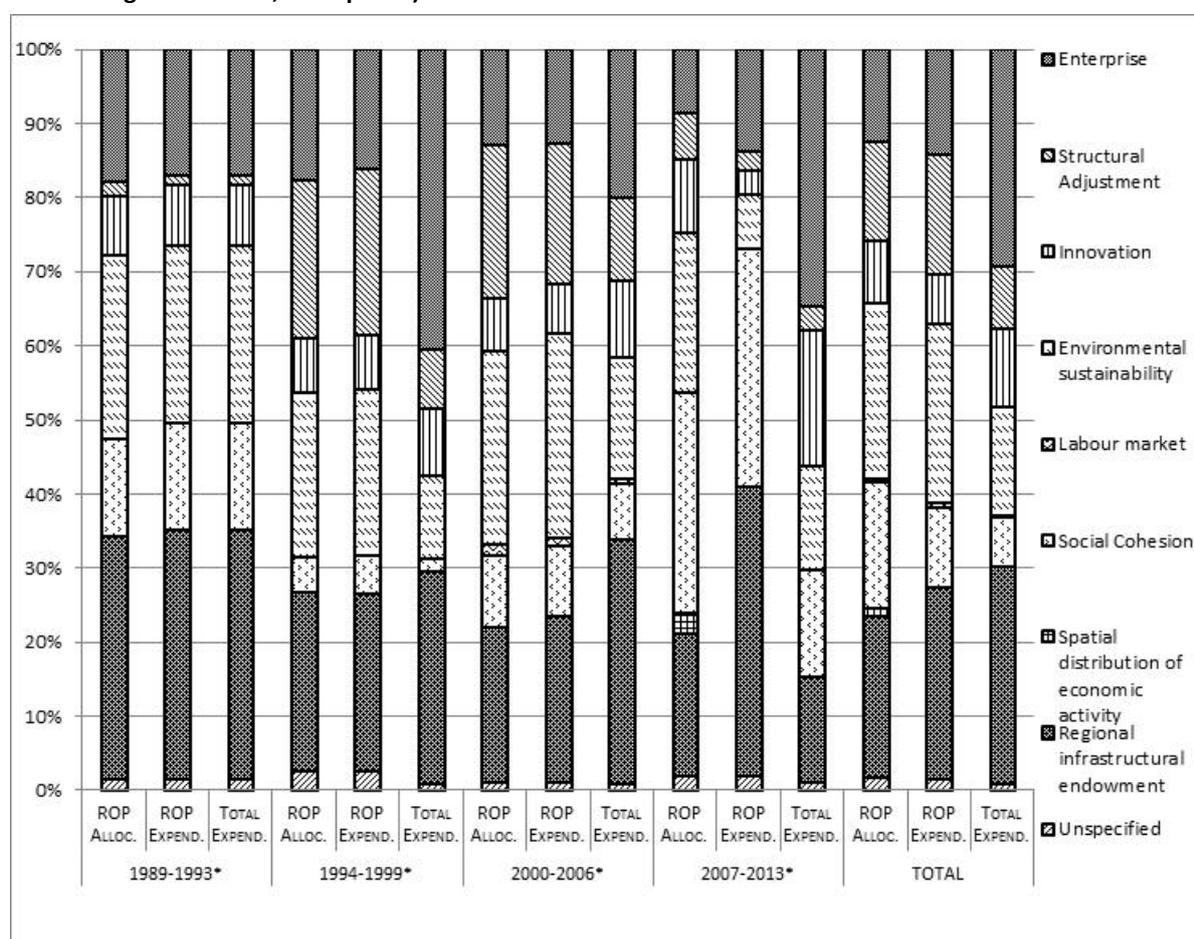
After a period of relative decline, in the late 1990s regional policy regained center stage in Italy, through the launch of a new Community Support Framework devised following a comprehensive process of multi-level and horizontal consultations and which provided a common strategy and sound rationale for all ROPs and NOPs. In line with the new CSF's strategic approach – which was rooted on endogenous development theories and essentially rejected the ideas of filling gaps and compensating localization disadvantages - the Campania ROP 2000-06 had a more comprehensive set of objectives and a more rounded articulation of priorities than the accumulation of capital stock. The goals were to generate employment; sustainable and equitable development; improvement in quality of life; territorial balance; and increase the competitiveness of the region's productive structure. Amongst the NOPs, now seven as opposed to the previous 15, the main focus was again on transport (roads, railways, and public rail urban transport), environmental reclaiming and sustainability (water cycle, soil protection, energy, parks and institutional capacity-building in all sectors), as research and innovation but also on cultural heritage and urban renewal.

The 2007-13 National Strategic Framework (NSF) and Campania ERDF ROP represent an evolution of the 2000-06 strategies, but with a further emphasis on quality of life. Compared to 2007-13 the main changes related to: (i) acknowledgement of the need to tackle severe environmental emergencies, first of all in urban solid waste in the provinces of Naples and Caserta; and (ii) limiting business support to research and innovation (in line with EU-level strategies and requirements). However, the ROP has recently been the subject of considerable reprogramming, which has reoriented it towards major infrastructure investments, thus altering its original strategic balance (as illustrated by columns 10 and 11 Figure 1 the next paragraph). The range of NOPs has also changed compared to 2000-06 but the main focus remains as in the previous period on research and competitiveness (i.e. business support and support to public and private research), transport networks and education, as well as legality and security. Clean energy emerged as a new goal in this new programming round, through a dedicated multi-regional OP.

### 3.2 Investments

Objectives aside, the allocation of resources in Campania’s programs across program periods displays remarkable continuity, being concentrated particularly on the fields of infrastructure and support for firms. Nevertheless, a key change in the intended policy effort across the study period is that whilst earlier programs focused particularly on infrastructure - environmental (water, urban waste and soil protection), transport (with a large share to railways and roads), telecommunications, energy, cultural and urban - following the strategic lines of the Special Intervention, according to a vision of infrastructure and capital endowment as pre-conditions for economic development (whereby social development had limited importance, as economic improvements were considered to trickle-down through society) - later programs aimed increasingly at fostering social development and quality of life.

**Figure 1: ERDF allocations and expenditure by thematic axis across regional programs (percentages based on deflated figures – Euros, 2000 prices)**



Source: Research team’s analysis of program documentation. Note: In this diagram, ROP stands for all programs managed by regional authorities (POPs and ROPs). NOP stands for all programs managed by central authorities (i.e. MOP, NOP and InOP). \* Total expenditure includes: only ROP 1989-93, ROP and 10 out of 15 NOPS for 1994-1999, all ERDF-funded ROPs and NOPS for 2000-06 and 2007-13.

Perhaps more telling than the distribution of financial allocation for the comprehension of the nature of the policy effort is the composition of the actual expenditure, i.e. where the money actually went.

According to the reclassification of measures and expenditure undertaken for this study, two themes alone absorbed close to two thirds of the expenditure across the entire period (up to mid-2012): the themes of infrastructure and enterprise. A further sixth of expenditure related to environmental sustainability and just over 10 percent to R&D&I. Tourism development as a means for structural adjustment and social cohesion represent about 8 percent of expenditure each,<sup>6</sup> with further spend concerning investments towards territorial cohesion (urban regeneration and the quality of life in the main urban centers, quality of life in rural areas and interrelation between the two sets of areas), the improvement of legality and security, and institutional capacity.

In more detail: the programs reviewed in this study, both regional and multiregional, until mid-2012 invested c. €5,806 million in the theme of regional infrastructure endowment (constant 2000 prices), equivalent to circa 29 percent of the overall expenditure across the study period. This amount fluctuated over the periods, from 34 percent of expenditure in 1989-93 (although for this period only regional program data is available, thus the total figure, inclusive of MOP spending, would be even higher), to 29 percent of expenditure in 1994-99, to 22 and 14 percent in the 2000-06 and 2007-13 programs respectively. This last amount is set to increase, however, not just because spending under the current programs is still well underway, but also due to the recent reprogramming of the ROP, which entails a shift towards major infrastructure projects.

Enterprise support has also been a mainstay of ERDF strategies since 1989. The multi-regional/national programs, particularly since 1994, have provided significant funding to firms for investment. At the same time, the regional programs have realized and/or upgraded industrial/handicraft areas and, especially since 2000, also granted support to firms in the form of investment aids, consultancy advice, support for internationalization and marketing activities, and cluster support. Support to businesses for RTDI was also provided by the regional OPs and by the multi-regional/national OPs for Research (this expenditure has been classified under the theme 'research and innovation'). On the whole, investments to support firms amounted to €5,807 million from 1989-2012 (equivalent to approximately 29 percent of overall expenditure across the period). This proportion did not remain the same across successive funding periods. From 17 percent of expenditure in 1989-93,<sup>7</sup> it increased to a staggering 40 percent in 1994-99, subsequently decreasing to 20 percent in 2000-06 and going up to 35 percent in 2007-13.<sup>8</sup> Especially in the last 15 years, a large portion of the support to the entrepreneurial system<sup>9</sup> in Campania has been co-financed by the Structural Funds (interviewees mentioned that virtually the entire support was co-financed by Structural Funds, e.g. INT63), thus the linkage between achievements and ERDF in this field can be expected to be strong.

Support for research and innovation totaled c. €2,109 million (equal to circa 11 percent of the overall expenditure across the four funding periods). The proportion of investment allocated to this theme remained basically constant across the first three funding periods, at 8 percent in 1989-93, 9 percent in 1994-99, and 10 percent in 2000-06. The 2007-13 period has seen a significant increase of expenditure on this theme, to 18 percent (up to June 2012), but this reflects not just a stronger

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<sup>6</sup> However, it should be noted that social cohesion is underestimated by the focus of this research which excludes ESF-only programmes.

<sup>7</sup> This is only the 1989-93 POP value, though, comparable with the expenditure percentages of the 1994-99 POP (16 percent) and the 2000-06 ROP (13 percent).

<sup>8</sup> This very high share is due to the very low level of overall expenditure in mid-2012, when data were collected.

<sup>9</sup> With the exception of schemes granting tax breaks in connection with investments and job-creation.

orientation towards this priority (see financial allocations in Figure 1), but also the limited implementation of the program so far (whereby other types of support entail longer delivery timetables, which has the effect of delaying expenditure for those headings).

Approximately €2,905 million were invested in environmental sustainability, a sum equivalent to circa 15 percent of total expenditure across all themes in the four program periods combined. As a proportion of total ERDF spend, the relative share of this theme varied from 24 percent in 1989-1993, to 22 percent in 1994-1999, to 28 percent in 2000-2006, and to 16 percent in the current period (although spending is still on-going).

Tourism development and other structural adjustment measures<sup>10</sup> represented a small but significant and growing percentage of the final expenditure of programs (the regional OPs and, in 1994-99, a multi-regional MOP for Tourism). Altogether, the programs reviewed in this study invested a total of c. €1,651 million in this theme across the entire period to June 2012, a sum equivalent to approximately 8 percent of total expenditure across the four funding periods. This average is shaped largely by a peak share of 11 percent of total expenditure in this theme in the 2000-06 period. Corresponding proportions were comparatively low in 1989-93 (1 percent) and 1994-99 (8 percent). Three percent of ERDF spending in the current period was/is on structural adjustment (on-going).

The theme of social inclusion/cohesion was addressed in the ERDF programs throughout the entire period reviewed. A total of c. €1,313 million was invested in this theme through regional and multi-regional ERDF programs implemented in Campania, equivalent to approximately 7 percent of the total across all themes. This proportion remained relatively constant over time, except for the 1994-99 period: 14 percent in 1989-1993, 2 percent in 1994-1999, 8 percent in 2000-2006, and 14 percent in 2007-2013. Social inclusion was mainly the specific focus of ESF measures and expenditure in this theme is therefore underestimated given the exclusion from the research of ESF monofund programs.<sup>11</sup>

Programs over successive periods also addressed three types of territorial issues - urban regeneration and quality of life; quality of life in rural areas; and the linkages and interrelation between urban and rural areas. Given that in the 1989-93, 1994-99 and 2007-13 periods this theme was primarily a secondary goal of measures that pursued primarily other themes, expenditure under these themes was largely classified under other groups of spending. However, in 2000-06 alone, this theme absorbed c. €132 million of ERDF investment, c. 1.2 percent of the total expenditure across all themes in this program period.

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<sup>10</sup> Expenditure under this category includes support to tourism, investments in cultural heritage which are closely related to tourism development, support to firms in cultural sectors, development of NGOs and third-sector firms, investments aiming at supporting transformation of areas affected by industrial crises, support and infrastructure specifically targeting industrial clusters, development of integrated projects, and internationalisation activities through the public sector, as well as interventions aiming at improving the capacity of the public sector to detect and orient change in the economy.

<sup>11</sup> Further, the regional authority during the 2000-06 period intervened in this field also with domestic resources, piloting an innovative anti-poverty initiative (so-called '*reddito di cittadinanza*', which translated would mean 'citizenship income'). This entailed providing monthly financial support to families with many children and very modest incomes, and free public transport on the condition that the children would be sent to school.

Lastly, the programs reviewed have injected considerable resources – over €683 million (current prices) - for the improvement of legality and security in Campania, particularly via the multi-regional/national dedicated programs.<sup>12</sup>

It should be noted that it is common practice to revise the programs' financial plans during implementation. This is generally done to adapt the programs to actual demand, e.g. when certain measures or fields of intervention do not draw down resources as much as expected; to meet changing political priorities (seven years is a long timetable for policy-making, which exceeds political mandates); or to respond to changes in the context in which the programs operate (as the recent economic crisis). The data illustrated in the diagram above compare expenditure to the *final* financial plans of the programs and therefore do not show significant shifts between initial allocations and actual expenditure between the themes (or indeed program priorities).<sup>13</sup> However, interview evidence suggests that there were indeed reallocations between priorities and even across programs. Considering only the 2000-06 program period's ROP, for which both the final and the post mid-term review version of the financial plans are available, for instance, it is evident that there were significant gains in the infrastructure-related priority of 'Networks supporting development' and a loss for the cultural resources priority. The 'Cities' priority also gained resources during implementation. Further, as well as shifts among macro-categories of themes or program priorities, discrepancies between planned and actual expenditure materialized in: first, the use of coherent (or pre-funded) projects in all program periods from 1989-93 to 2000-06, i.e., projects funded with domestic resources and therefore conceived under different programs and with different strategies (*progetti coerenti* or *progetti sponda*) (Regione Campania, NVVIP, 2011; Regione Campania, 2003; DPS, 2012; ISMERI Europa, 1995: 66; and INT55 and INT29); and, second, the internal composition of actual expenditure within the same priority, for example in the fields of entrepreneurial support and solid urban waste.<sup>14</sup> Such shifts and discrepancies often did not reflect changing implicit strategies, but simply emerged from what was possible and timely within the constraints of EU regulations, obstacles to implementation, and the learning processes and political priorities of national and regional authorities. Thus, there were shifts during implementation in the actual scope and content of the policy effort which were not the result of strategic reflection but rather of operational necessities. These considerations reinforce the relevance of considering the actual program expenditure, in addition to the programs' explicit goals, in order to gauge the full extent and scope of the policy effort.

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<sup>12</sup> This figure comprises the expenditure realized also for environmental safety and civil protection in the POP and ROPs across all periods and the expenditure realized in Campania by the NOPs Security 2000-06 and 2007-13. Data on the 1994-99 MOP Security are not available.

<sup>13</sup> The initial allocations were not available for a number of early programs.

<sup>14</sup> For example, in 2000-06 the ROP's strategy supported clusters of firms with regional aid schemes and within the Integrated Territorial Projects (PITs) focusing on industrial development. This complemented the support provided by the national 'Local Entrepreneurial Development' program to medium-sized and large firms. However, in reality, during implementation the regional authority centered its action on the prevention of industrial decline in medium-sized and large firms as well as in SMEs in general (INT33). The 1994-99 POP originally provided for various types of solid waste disposal in all parts of the region. In the end, however, it was limited to funding selective collection projects in the provinces of Avellino, Benevento and Salerno.

### 3.3 Total volume of resources

Apart from the relative composition of expenditure, it is also important to consider the volume of ERDF resources flown to Campania, relative to domestic policies.<sup>15</sup> This volume has been substantial.

Across the entire period, the ERDF programs have explicitly allocated Campania a total of c. €19,127 million (2000 prices), between regional programs (representing c. €15,623 million) and multi-regional/national programs (estimated to have represented at least €3,680 million in terms of financial allocations).<sup>16</sup>

Given that, except than in 2000-06, there was no regional earmarking of the MOPs/NOPs, a fuller appreciation of the whole scale of resources received by the region is better obtained by considering expenditure rather than allocations data. Figure 2, to follow, provides an overview of annualized expenditure (ERDF-inclusive programs only), compared with total development expenditure in Campania<sup>17</sup> and the region's GDP (measured on the right-hand scale). Given the limitations in the calculation of annualized expenditure and the different nature of the two aggregates, the figure should be interpreted with caution, but it shows that the total expenditure of the ERDF programs in Campania, albeit very large in absolute terms, has always been relatively small in comparison with both the regional GDP and the overall public spending in the region. The programs' resources have co-existed with large amounts of domestic public capital spending (€79,938 million between 1996 and 2010), both additional spending (i.e. for regional development) and ordinary capital spending. Thus, whilst the analysis of the ERDF programs over this period tells a story about the role that European programs have played in the development of the region, this is only a partial story and the effect of the two strands of spending cannot be easily disentangled.

It is worthy of note, however, that the programs' share of resources has increased its relative importance in recent periods, in association with a decline in domestic spending, both for regional policy and ordinary expenditure (SVIMEZ, 2011; DPS annual reports, various years; Territorial Public Accounts database). What is also meaningful to consider is that over the period 1996-2010 (for which comprehensive data is available), the total public capital expenditure in Campania has never reached the value of 10 percent of the Italian total (Campania's relative share of population). Total public development expenditure reached a peak of 8 percent of Italy's total public expenditure only in 2008, remaining below this value in all other years (Territorial Public Accounts database).

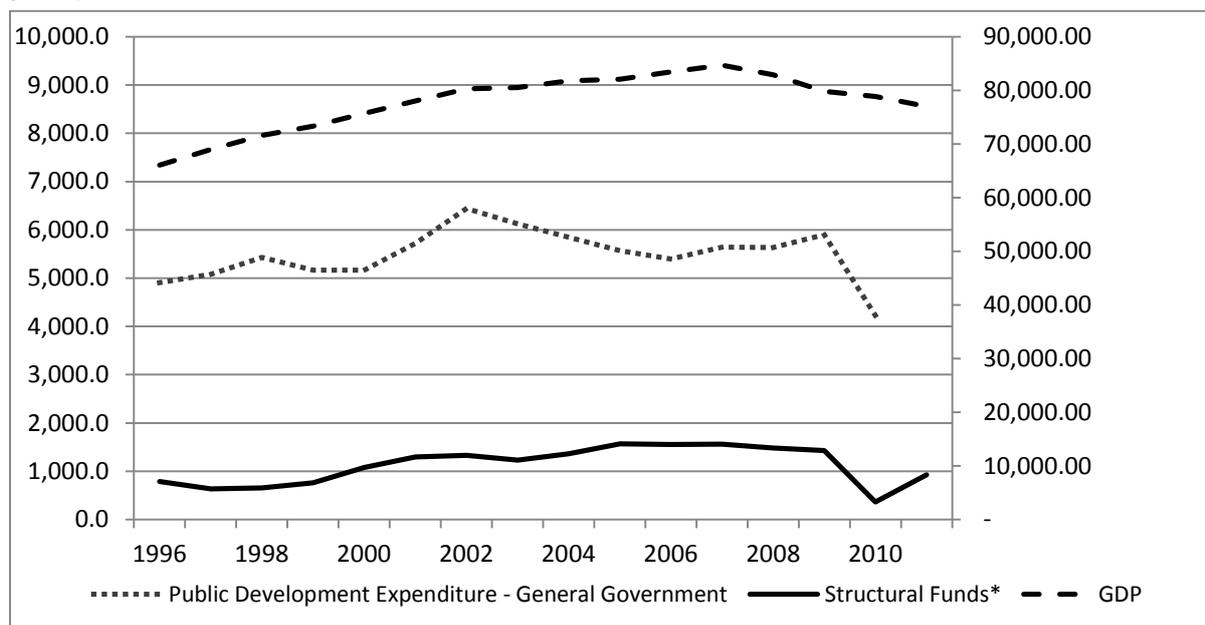
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<sup>15</sup> Throughout this section, financial allocations and expenditure refer to total EU and nationally co-financed spend combined.

<sup>16</sup> Figures relate to allocations of ERDF resources (in both mono- and multi-fund programmes) and of the corresponding national co-financing. It excludes other funds, even when they did co-fund the programmes. The figures relating to allocations from MOPs and NOPs exclude all 1989-93 MOPs, most 1994-99 MOPs, the NOP Local Development 2000-06 and all 2007-13 NOPs and InOPs. For these programmes, it was not possible to establish the earmarked allocation for Campania.

<sup>17</sup> This aggregate is larger than capital expenditure and includes, in addition to capital expenditure, human resources investments (similar to the type of investments realised within the Structural Funds programmes with ESF co-funding).

**Figure 2: Annual total expenditure for available NOPs and ROPs (1996-2012), total public development expenditure in Campania (1996-2010) and Campania GDP (1996-2012) (all values in million Euros, 2000 prices)**



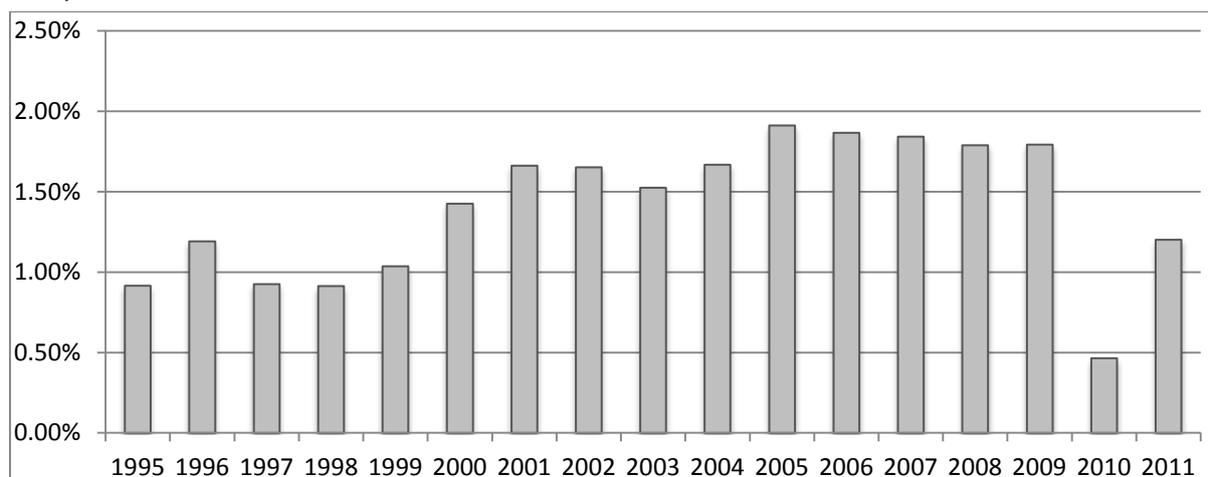
Sources: Territorial Public Account Database and program documents. Note: the label ‘Structural Funds’ indicates the total expenditure of the MOPs/NOPs and POPs/ROPs co-financed by the ERDF in Campania.

Figure 3 below represents the programs’ annual total expenditure as a percentage of Campania’s GDP (2000-09). Averaging between 1 and 2 percent, the volume of expenditure relative to regional GDP means that, in a context of decreasing national capital expenditure, the extent to which the programs could contribute to counteract the effects of the long economic stagnation and, after 2008, the decline of regional economic performance, was limited. Still, the amount of resources could be expected to produce visible changes in the regional territory, particularly in those sectors where funding has constituted a considerable portion of total expenditure, notably in the fields of water, wastewater and sewage infrastructure, transport infrastructure and enterprise support.<sup>18</sup>

It should be noted that the increase in expenditure from the 1990s to the early 2000s and the decrease since 2008 are overestimated by the absence of ESF and EAGGF/EARDF data for 1994-99 and 2007-13, which hinders the full appreciation of the potential impact of the EU contribution to Campania’s socio-economic development for most of the period covered by this study.

<sup>18</sup> This assessment partly derives from a comparison between the ERDF-programme expenditure data gathered by the research team with data from the database Territorial Public Accounts (CPT) by sector. However, there are differences in the definition used to classify expenditure, and the research team believes the comparison of data from the two datasets to be only meaningful for water infrastructure and transport investments. For enterprise support, the statement is based on interview evidence.

**Figure 3: Annual total expenditure for available NOPs and ROPs as a percentage of Campania GDP (1995-2011)**



Source: Own analysis of expenditure data and ISTAT data.

## 4. Achievements

Reflecting the wide-ranging strategies and allocation of resources (both intended and actual) to many policy fields and areas of interventions, the ERDF programs realized a considerable amount of achievements in various policy areas. However, obtaining a full picture of the achievements realized by the policy across the study period is not straightforward given the lack, especially in earlier periods, of data of reliable quality other than on the financial aspects of the programs. Nevertheless, supplementing documentary evidence with stakeholder insights allows us to confidently state that on the whole, there were significant in selected fields, with the effect of improving quality of life in some respects and in some areas of the regional territory, but without inducing or supporting a wider-ranging lasting change in the regional levels of growth and employment.

It may be useful to recall briefly what these achievements were, both on a period by period basis and longitudinally, reviewing first, the achievements reported in program documents and their likely veracity (period by period); second, the actual achievements realized in selected fields. The first discussion is obviously affected by the degree to which data on the programs' physical outputs and results was available from program documents and monitoring systems, which was generally very limited in the first two periods. This issue is discussed, alongside a synthesis of the main reported achievements in each program period, in the box below.

### Box 1 - Main 'Reported achievements' by program period and data shortcomings

During the **1989-93 period**, monitoring and reporting focused mainly on financial progress. This was the case for both the Campania POP, which did not have a monitoring system in place (Regione Campania, 2000: 15; ISMERI EUROPA, 1995: 197, 207), as well as for the majority of MOPs (ISMERI EUROPA, 1995: 24, 207). Nevertheless, an indication of what the programs realized in this period was obtained from the cross-reading of the Final Implementation Report of the POP, produced by the Regional Authority in 2000, the CSF's ex-post evaluation realized by ISMERI EUROPA in 1995, and the 1994-99 CSF. These sources, themselves hampered by data deficiencies, indicate that most of the achievements during this program period concerned the realization of environmental and transport infrastructure, particularly aqueducts and water distribution plants and networks (e.g. more than 40 kilometers of new waterways), sewerage networks (again circa 40 kilometers of new or upgraded sewerage), roads (c. 61 kilometers of new or improved roads) and, to a much more limited extent, rail tracks (a modest creation of 5 kilometers of new tracks). In addition, the ERDF programs also assisted a number of firms in the handicraft, industrial and tourism sectors (450 handicraft firms, 500 industrial firms and 131 tourism firms), supported the realization or upgrading of industrial areas for handicraft firms (circa 200 sites), and funded the restoration of monuments and archaeological areas, the recuperation of nine historical centers or districts within historical centers, as well as the creation of R&D infrastructure (c. 5,500 square meters of new space), as well as supporting a handful of R&D&I projects (4). There is no data on the number of gross jobs created or maintained or other wider context indicators.

The documentation on the **1994-99 programs** is richer with respect to the provision of information on reported achievements. At the regional level, in particular, a new monitoring system was established in 1998. Although the program was well underway at this point, this enabled the program authorities to provide a detailed account of the outputs realized under different measures under the 1994-99 POP. The gross effects of the 1994-99 programs – the POP and the MOPs – are estimated in the ex-post evaluation of the 1994-99 CSF (in selected fields), notably: an increase in the stock of roads (all types of roads) of 1.9 percent; 28.2 percent of new rail tracks and 12.4 percent dual track provision; the creation of 18,137 kilometers of new fiber optic (from a baseline of zero); 23 new water purification plants (7.6 percent increase compared to what was already in place); support to almost 7,000 firms in the industry and tourism sectors (a mere 2.6 percent of the existing businesses, and the lowest value across all Objective 1 regions); and, an increase of 18.3 percent in the provision of tourist accommodation (i.e. 29,534 beds, most of which – 27,504 - in traditional accommodation and 2,030 via the support of so-called agri-tourism). According to the evaluation, altogether the programs implemented as part of the 1994-99 CSF generated 17,646 'temporary' jobs (i.e. employment linked to the delivery of the interventions/projects) in Campania, equivalent to 8.71 percent of the total temporary employment generated by the CSF, and 9,629 permanent new jobs, equal to 4.75 percent of the total new jobs created by the CSF (ISMERI, 2002: 158) - a rather marginal impact in terms of employment if compared to other eligible regions and the relative share of resources absorbed.

Further efforts to strengthen the comprehensiveness of monitoring systems were made in the **2000-06 period**, at both national and regional levels. Within Campania, this resulted in the identification for the ROP of a battery of circa 350 indicators, between output, results and impact indicators (not all of which were subsequently populated). A detailed review of reported achievements of the ROPs can be found in the FIR and in the ex-post evaluation realized by the regional evaluation unit (Regione Campania, NVIPP 2011). The FIRs of the NOPs also include detailed account of reported achievements, but seldom regionally disaggregated. The main achievements of the ROPs include outputs and results in the transport and ICT sectors (e.g. the connection of 422 municipalities to the ICT network), the creation or upgrading of industrial areas (80 projects), the provision of aids to c. 400 firms (all sectors), the realization of 97 environmental monitoring stations, further upgrading of water and sewage infrastructure, and many others. Some indication of important reported achievements realized in Campania in this period are also found in the FIRs of the Transport, Local Entrepreneurial Development, Research and School NOPs. For instance, a 7.9 percent increase in the long-distance rail network, and 442 kilometers and 1,359 kilometers of new highway and national roads respectively; more than 3,000 investment aids; circa 300 R&D projects resulting in circa 200 process and 219 product innovations; and an increase in the use of internet within families of almost 23 percent (from 2003 to 2009). There are no estimates, in the sources above, of the employment impact of the program. The ex-post evaluation of the ROP, however, points out that *'the ROP has not succeeded in affecting the factors behind the region's lagging status which characterized the Campanian socio-economic system at the beginning of the program period and, on the contrary, in many cases it has gone hand in hand with a noticeable retrenchment of the regional situation, both nationally and in EU terms'* (own translation from Regione Campania, NVIPP 2011: 16).

Despite further efforts to strengthen the accuracy and relevance of monitoring systems made for the current programs, the delayed implementation of the ROP and NOPs, and the extensive on-going reprogramming of the ROP, make a discussion of the achievements of current programs relatively meaningless.

Taking a longitudinal perspective, the picture emerging from the triangulation of all methodologies and sources used in the research leads us to the following assessment of achievements by theme: the most significant achievements were realized in the field of infrastructure development, particularly in the transport, telecommunications and in some basic and environmental fields (e.g. water, wastewater, sewage). The programs were also responsible for considerable improvements in the urban fabric of Naples, Salerno and other minor centers; the upgrading of accessibility and usage of cultural heritage sites, parks and natural areas; and supporting the competitiveness of some productive sectors (e.g. wine-making). At the opposite end of the spectrum, the interventions in support to legality returned little dividend, whilst in the fields of enterprise (one of the themes that received the most funding across the study period) and R&D&I, achievements were not negligible but without being capable to not deliver the change that was desired or that could have been expected given the volume of resources at play.

Transport infrastructure (roads, railways, urban rail transport in the metropolitan area of Naples, airports, ports and logistical platforms) is by far the area in which the most significant achievements have been realized. This was widely confirmed by the interviews undertaken (e.g. INT1, INT22, INT27, INT51, INT55, INT60 and others), by the discussions held during the workshop, and by the survey returns. This entailed the realization of: (i) an integrated public rail transport system, including Naples' underground (c. 40 kilometers of completed network, in addition to some lines that are still to be concluded), the Circumflegrea, Circumvesuviana and Cumana train lines, and the regional lines of the Italian railways system; (ii) high speed/high-capacity connection Salerno-Naples-Rome, arriving in Naples' central station with a dedicated track, thus 'freeing' other lines for metropolitan transportation (ACAM, 2010: 11). This investment cut traveling times between Rome and Naples by 38 percent (from 1 hour 45 minutes to 1 hour 5 minutes) (Gentile, 2008); (iii) a substantial amount of new or improved roads; (iv) investments in Naples airport and the development of harbors in Naples and Salerno; (v) the realization of the major logistical platform of Nola-Marcianise, which through substantial investments in the 1989-93, 1994-99 and 2000-06 periods, has become one of the most important in Italy and, since 2012, the logistic hub for the first private high-speed train service in the country (the train 'Italo', of the new company NTV).

As a result of all these investments, Campania is currently well connected internally and externally, nationally and internationally, and by land, air and water. For instance, the region now has a network of road and rail that is higher than the Italian average (134.4 percent and 165.5 percent of the Italian averages respectively) and thus higher not just than the Mezzogiorno average values but also than the average provision available to the Centre-North of Italy (98.9 percent and 121.3 percent respectively), albeit with an endowment that varies quite significantly across the regional territory. Campania's public transport supply in terms of spatial coverage is second only to Lazio, even though in per capita terms the regional supply of public transport is still below the national average (Donati, 2010). At a more local scale, the new lines and stations of the Naples underground make it faster to use local public transport from peripheral areas to access central neighborhoods. Reduced travelling times have been a significant result and can be assumed to have a positive impact on labor, allowing job-seekers to expand their potential commuting area and women to better reconcile family and work (INT18). The investments in railways and urban transport have also contributed to a reduction in air pollution. The total emissions of greenhouse gases at regional and provincial level between 1990 and 2005 have decreased by c. 17 percent, in counter-trend compared to the national average (Regione Campania, Autorità Ambientale, 2011: 37), even though traffic congestion in Naples continues to remain a concern.

It is not possible to isolate the exact contribution of ERDF funding to the achievements described above. This is because different parts of the same investments were realized with different funding sources and because of the considerable use of coherent projects: in the 2000-06 ROP, for which exact data is available, coherent projects accounted for a staggering 75 percent of the certified expenditure under this policy area (Regione Campania, NVVIP, 2011: 104). However, this does not indicate that the ERDF-funded investments would have been undertaken anyway. On the contrary, the ERDF funding was essential to deliver results of this scale. In the field of transport, coherent projects were used to accommodate a longer project cycle than the EU program period, rather than as mere substitutes and, in the 2000s, this was done in the context of a carefully built and implemented transport strategy, contained within the regional authority's 'Regional Transport Plan'. This approach raises important questions about additionality and substitution, but does not detract from the importance of the ERDF resources in terms of achievements realized in this field.<sup>19</sup>

However, a key problem is that the use of the public transport infrastructure created (and especially urban railways) currently does not fully match the level of infrastructure built, due to the regional and local authority's inability - in the context of the current public finances constraints and the region's difficulty to meet the stringent parameters of the internal stability pact (INT42, INT69) - to meet the high (as expected) maintenance and operating costs. This is meaning that some of the structures built are underutilized (or even unused), and that transport supply has been decreasing (INT13),<sup>20</sup> thus limiting the actual impact on end-users. Having acknowledged this, the overarching conclusion that the ERDF-supported investments for the realization of transport infrastructure in the metropolitan area of Naples have had a transformative effect on the region and are the one field in which achievements have been the most significant remains valid.

Information and Communication Technologies are also an area in which the programs have realized considerable success. Broadband infrastructure has been supported since 1994-99,<sup>21</sup> for instance via the creation of network nodes and terminals, and kilometers of fiber optic broadband (more than 18,000 in 1994-99, through investments from the Telecommunications MOP). ERDF support has been instrumental in attaining broadband coverage close to 100 percent, meaning that today Campania is better endowed than some regions of the Centre-North of Italy (ADSL now covers 92 percent of the resident population with a further 4.2 percent served wirelessly via 3G). The programs also supported firms and public administrations to undertake ICT-related investments, acquire ICT services and utilize ICT technologies (with training measures). For instance, the 2000-06

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<sup>19</sup>As noted by one of the interviewees, 'Naples underground, the motorway Naples-Pompeii (of which the third lane is now being built), they are all [co-financed by] Community funds: they would never have been realised without them' (INT55). Since 2000, moreover, the regional ERDF programme has been considered useful in tying the investments to a binding timetable, also acting as a framework for domestic transport policy, such as the so-called Legge Obiettivo (Target law) and the Institutional Programme Agreements (INT13).

<sup>20</sup> A problem noted since the 1950s in the context of international development programmes (Hirschman 1958) and that thus should not have been underestimated in the Campania context. The views amongst interviewees on this issue in Campania vary, particularly about whether this problem is contingent or structural. Some tended towards the latter view, arguing that new infrastructure was built neglecting the maintenance of infrastructure already in place (INT16, INT69) as a result of an underestimation of the upkeep and running costs that the new infrastructure built would entail (Regione Campania, NVVIP, 2011). On the other hand, other interviewees considered that 'a public transport system that has increased by 75 percent', such as that of Naples, 'obviously needs to be maintained and financed', and that this is a matter of political prioritisation (which has now been lost) (INT13). This same consideration also applies to the subsidisation of the cost of tickets. The problem would thus rest not so much on the availability of resources, but on the political willingness to allocate funding to this priority.

<sup>21</sup> Previously, investments in telecommunications were also considerable but were focused on telephone lines and services. In 1994-99, the programmes comprised also ICT training (ESF).

ROP supported 1,053 firms across all sectors – handicraft, industry, commerce and services – to undertake ICT investments (though on a much lower scale than originally envisaged). As a result of these investments, today, the network for private operators is considered to be functioning well, especially in the provinces of Naples and Salerno (not so much in the province of Caserta). Although still at levels below the national average, private usage of computers and internet in Campania has been increasing steadily over the past decade. Public authorities are also well served, as all municipalities in the region are served by fiber optic broadband. What still needs to be improved, however, is the take-up of new technologies in terms of the provision of public services, e.g. in public administration or e-health (INT57). There were targets on this theme in both the past and current ROPs.

The ERDF programs have been fundamental in delivering the regeneration of the region's most densely inhabited cities, Naples and Salerno, and of other minor centers. Like in other regions, ERDF programs and the Urban CI have realized in Campania a number of projects to improve the quality of life in urban centers, notably: (i) the refurbishment of squares, buildings in historic centers, urban parks, pavements and similar (*arredo urbano*); (ii) the creation or modernization/restoration of various types of social and leisure infrastructure (such as aggregation centers for the young, the elderly and the disabled; homes for disadvantaged minors, the elderly and the homeless; sports centers; theatres and concert halls; libraries and multi-purpose cultural facilities etc.); (iii) community economic development initiatives, support to entrepreneurship, supplemented by works in intra-urban industrial areas; (iv) actions for the differentiated collection of waste; (v) video-surveillance; and even (vi) basic urbanization works (e.g. sewerage), all supplemented by (ESF) investments for certain social services and the already-mentioned investments in urban transport (Naples underground system, but also roads, parking spaces etc.). Outcomes probably most visible in Naples and Salerno, Campania's two largest cities (both of which had received support from the URBAN CIP in the 1994-99 period, as well as support from the mainstream programs).

In Salerno, the programs have helped transform the historic center from a segregated, unsafe neighborhood into the pulsing heart of a town that is now known as a 'town of excellence' and of 'architecture', as well as for its nightlife (INT2, INT36). Soaring house prices reflect the improvements in the city. They were realized through an integrated strategy, carried out across the various program periods,<sup>22</sup> which meant focusing not solely on social inclusion or infrastructure, but undertaking a cross-sectoral, systemic effort, supplementing the intervention of ERDF with social, regulatory and governance measures. This effort in Salerno comprised not only investment projects as summarized above, but also (non-financed) governance, regulatory and promotional measures. More precisely, the ERDF-funded investments have included the refurbishment of the municipal theatre, of the main square, of various buildings in the historic center; urbanization projects of various sorts; the construction of streets and of a ring-road; the building of a sports center and of a *polo annonario* (i.e. a serviced and modern fish, fruit, vegetables and flower market); in addition to video-surveillance in the city center and to differentiated waste collection and disposal. More such works are underway, the most iconic of which is the creation of a new square, Piazza della Libertà, at the end of the sea promenade (designed by Ricardo Bofill). These investments have been complemented by non-ERDF-funded initiatives, such as the injection of an increased number of police units to patrol the town, in order to ensure a visible police presence for a long period of time

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<sup>22</sup> Facilitated by the political continuity: the same mayor has been in post since 1993, except for an interruption of five years (due to electoral rules) during which the mayor was nevertheless from the same political party.

throughout the day (INT36); a clampdown on prostitution in the city center (INT36); a crackdown on illegal building practices and street-trading (with agreements with ambulant traders which led to the creation of two ethnic markets) (INT36); activities to fight drug and alcohol abuse, to integrate immigrants and to promote the inclusion of women in the labor market; and the organization of cultural events, including in winter (e.g. the display *'luci d'artista'*). These latter initiatives are proving useful in keeping the town alive and economically viable outside the tourist season. This composite approach to urban development has rendered the city of Salerno a better place to live, but also a more attractive tourist destination, allowing it to reconfigure itself into a hub for access to the nearby sites of the Amalfi Coast, Paestum, Pompeii and Herculaneum - all of which were granted UNESCO World Heritage Sites status in 1998. Agreements with the main cruise operators have meant that Salerno has now become a major drop-off point, an alternative to Naples (INT2). Tourism and the refurbishment of the city center have been an engine for the local economy, as are the better transport links with Naples and the Centre-North of Italy. The city still has a number of challenges to solve, particularly of a social nature (e.g. immigration, an increasing number of drug addicts), but the transformation realized is unanimously acknowledged and achievements are tangible: for example, today Salerno has a rate of differentiated waste collection that is the highest in the entire Mezzogiorno (INT57).

Naples' urban renewal path has been similar and brought the city to experience a 'renaissance' during the mid-1990s to mid-2000s, taking Naples from the status of 'a city on its knees' (Sales, 2012:144)<sup>23</sup> to 'popular tourist destination' (the Economist, 22 January 2005). Starting with the OP Pianura, then the 1994-99 Urban CIP, and subsequently with regional OPs,<sup>24</sup> the city benefited from considerable investments for the regeneration of its historic center, seaside and port, which went hand-in-hand with the public transport investments already discussed. The G7 summit meeting hosted in 1994 represented the first occasion to reclaim parts of the city (INT51, INT27) and gave visibility to the city's renewal efforts,<sup>25</sup> which were continued in subsequent periods. The historic center was declared a UNESCO World Heritage Site in 1995. Just as in Salerno, the ERDF investments in Naples have been a fundamental driver in determining the radical change and were anchored on an 'integrated' understanding of urban regeneration. This enabled the generation of a change of image and perception, as much as in the substance of the quality of life of residents. In Naples, the closure to traffic of the iconic Plebiscito Square (in 1994), which had been turned into a parking space (Sales, 2012: 174), and of the Lungomare Caracciolo (in 2012), for instance, were essential to deliver the new image of the city, with positive repercussions on tourism. However, even though it is clear that the city has changed for the better and the ERDF has been an important tool for this change,<sup>26</sup> it has to be acknowledged that in this case, in contrast with to Salerno, both outcomes –

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<sup>23</sup> This passage by Sales (2012) is particularly evocative in illustrating the condition of Naples in the mid-1990s: 'The municipality is in financial trouble with a debt of 2 billion lire, many large firms have closed, the organised unemployed block the main streets with their protest every day, tap water runs brown and polluted, milk from the milk plant is infected with E.Coli, the streets are full of rubbish, the city is cut in two for the closure of the two funiculars that link the lower and the upper parts, the sea is polluted in every section. Tangentopoli has put a section of the city's political and entrepreneurial ruling class in jail, including the former communist party ... at the end of 1993, citizens' perception of Naples is like being in a third post-war period' (Sales, 2012: 158, own translation from Italian).

<sup>24</sup> Including an Integrated Programme for Urban Development in the 2000-06 period which was assessed to have been on the whole useful, despite having spent only 28 percent of the initially planned resources (Andreoli and Magrassi, 2011).

<sup>25</sup> *The Economist*, 22 January 2005 and Sales, 2012.

<sup>26</sup> This observation recorded during the workshop is eloquent in this respect: 'I came to Naples in 1988: there was crazy traffic, Plebiscito Square was engulfed in traffic. Today, to come to the workshop I took the underground and then I walked. The underground was full of university students'.

i.e. the change of image and the quality of life - are not being fully sustained. The two waste crises, in particular, had a profound impact on the city, its residents, and its projected image and appeal to tourists.

One of the factors that enabled the success of ERDF programs in the field of urban regeneration was that they tallied with the institutional changes introduced in Italy in the early 1990s, linked to a change in the procedures for the election of mayors, which gave mayors more visibility and responsibilities, but within limited financial autonomy and resources. The ERDF programs were grasped as an opportunity by the mayors, as they provided the resources and tools to implement their newly acquired competences and to realize their ambitions. Furthermore, the ERDF was the key tool for the understanding of urban development as an 'integrated' endeavor which was a crucial element in determining the scale of the results achieved.

Turning now to two further important fields of intervention, which are key to economic development policies, enterprise and R&D&I, the research undertaken leads us to conclude that in these spheres important investments were realized, which have sustained employment and growth over the short term, but without enabling the region to achieve the necessary competitiveness 'jump', required by the changing market conditions (trade agreements, globalization, common currency and the recent world-wide recession). As far as the support to firms is concerned, as in the rest of the Mezzogiorno, Law 488/1992 providing 'incentives for productive activities' has been by far the most important tool for the support of firms in Campania. It was administered<sup>27</sup> by the national ministry for industry/productive activities according to streamlined, transparent and relatively fast procedures,<sup>28</sup> which were appealing especially to larger firms (medium and large). The scheme's main objective was to create employment through the support of fixed investments in new firms or production plants, or the enlargement and upgrading of existing ones. In the 1994-99 period, the funding for thousands of projects meant that the 'fall of public expenditure in infrastructure that occurred after the closure of the *Cassa del Mezzogiorno* did not translate into a debacle for the Mezzogiorno' (INT54). The scheme enabled the upgrading of machinery that allowed the technological modernization of plants, supporting firms throughout difficult economic cycles, allowing them to remain on the market (INT54). A study by Busillo *et al.* (2010) shows that the scheme has delivered c. 20-30 percent technological additionality in the Mezzogiorno area. Whereas technological modernization has been a positive effect, the outcomes in terms of growth and overall additionality, have been more modest (INT54, INT55). Further, given that the main goal of the scheme was to generate new jobs and that the number of jobs created was one of the selection criteria utilized to rank applicant firms, the firms assisted ended up with a lower productivity than their non-assisted counterparts (INT54), as they expanded employment faster than output. The opportunity to attract funds from this scheme also meant that firms tended to over-invest, also implementing marginal investments (INT54) (despite the fact that the percentage of own capital in the investment was one of the criteria of prioritization). This said, if the assessment of the performance of the scheme is limited to the new firms created, a positive factor is represented by the fact that they survived for a longer period of time than their non-assisted counterparts (i.e. new firms which did not receive a contribution from the scheme) (INT54).

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<sup>27</sup> The scheme is no longer in operation.

<sup>28</sup> This varied over time and has not always been the case, but the scheme was governed in principle by a fixed timetable from application to payment.

The ERDF also supported firms through smaller-scale investments for machinery, other fixed investments and the acquisition of services (also through the Community Initiatives); upgraded production areas, such as the well-known goldsmith Tarì center (see also Izzo, 2002: 205-209), and internationalization support. Anecdotal evidence gathered during interviews suggests that the degree of additionality of the smaller scale investments is doubtful (INT55), whilst the investments realized in creating and upgrading industrial areas and supporting productive clusters has not always been effective even when there have been attempts at introducing a more systemic and integrated approach to the entrepreneurial support – as in the 2000-06 period: ‘The result has been industrial development areas without motorway access, non-transparent procedures for the assignment of land, areas built which had no public lighting and so on’ (INT63), which has meant, as a result, empty lots in the newly created industrial areas, whereas clusters of SMEs continued to operate in less appropriate locations within urban areas. Internationalization support, on the other hand – such as participation in international fairs and events, animation and promotion activities, particularly in the traditional sectors of specialization of the region (e.g. agro-industry, shoes and garments, jewelry) - took place without an overarching regional internationalization strategy (Regione Campania, NVVIP, 2011: 129), so that it is difficult to assess whether these interventions were successful in supporting the local economy without looking in more detail into the various sectors of the regional economy and the individual firms (which was not possible within the scope of the present investigation).

In the field of Research and innovation the ERDF programs have realized new buildings or upgraded existing buildings for research centers, funded laboratories as well as research projects (both within public research institutions, universities and private firms) since the first program period. For instance, the 1994-99 MOP for Research, Technological Development and Higher Education for instance realized 11 university infrastructure projects, 25 projects in regional research centers, 56 industrial innovation projects, one technology transfer project, and 13 innovation projects in regional technology and innovation parks. The projects realized included various photovoltaic technology-related projects in the ENEA research center of Portici (province of Naples) and a major project part of the National Program of Aerospace Research by the Italian Aerospace Research Centre (CIRA) in Capua (province of Caserta) (Ministero dell'Università e della Ricerca Scientifica e Tecnologica, undated). The most significant achievements in this field were perhaps obtained in 2000-06, with the ROP having funding 10 competence centers, RTDI infrastructure in universities (especially) and other research centers, almost 500 aids to firms for innovation and the adoption of technology, inducing 445 product, process and/or organizational innovations in the firms supported, and increasing R&D expenditure in Campania to 1.49 percent of regional GDP, and providing employment to over 2,000 researchers (Regione Campania, 2010), all this in parallel with similar investments realized by the NOP Research, of which Campania has absorbed 35.9 percent and 36.6 percent respectively of the overall ERDF and ESF-cofunded investments.

In order to gauge the relative improvement of Campania in relation to its R&D and innovation propensity, it may be useful to resort to a couple of proxies. First, R&D employment: in spite of the high volume of expenditure in R&D through the support of the ERDF programs, regional employment in R&D-related activities remains below the national average. It has however been increasing over time (DPS, 2012). Another proxy for the impact on the Campanian economy of the investments made in R&D and innovation can be the evolution of patents registration requests to the national and European patent offices. 1995-2005 data on national patent requests shows an upward trend. A similar upward trend can be observed when considering 2000 to 2005 figures on

the numbers of patents registered with EPO, which have also increased, from 8.4 per million inhabitants to 15.3 (Regione Campania, 2010: 12). There are thus signs of improvement over time, but not of the scale required to cascade down onto the economy more widely. However, these investments enabled the emergence or strengthening of national excellence centers, such as in the aeronautic-space industrial pole, in the biotechnology field and in agro-industry.

## **5. Assessment of utility**

Moving on from what has been realized thanks to the policy, to the degree to which this met the region's needs, it is clear that, unsurprisingly, the ERDF programs, in their interplay with other policies and exogenous factors, contributed to address some of the regional needs but not all.

The key conclusions of the research in relation to utility are threefold: first, on the whole, from a macro-economic perspective, Cohesion policy in Campania has not been able to support the desired change in terms of raising regional income and employment, and its catching-up with national and EU standards. Second, and notwithstanding this, the achievements realized in some areas were significant. Needs in many areas of need were met or partially met, but they do require further investments to retain the improvements realized. And, lastly, a third conclusion is that in some fields the policy has been both ineffectual (in terms of addressing needs that were targeted by the policy) and incapable to resolve the problems at hand. These conclusions merit some closer examination.

### **5.1 Some needs were addressed, but not all and not durably ...**

Almost 25 years on since 1989, some of the initial needs of the region have been met or partially met, notably: the provision of some basic infrastructure (water, wastewater); the endowment of transport infrastructure, and thus the accessibility of internal areas, mobility within the metropolitan area of Naples, and connectivity of the regional poles with the rest of the country and internationally; and the economic diversification and development of interior areas (something that this paper has not examined in detail). The discussion of achievements in selected fields presented in the previous section has provided strong evidence and examples of the investments made and the improvements realized in some of these fields. However, meeting these needs in a sustainable way, requires continuing efforts in terms of maintenance and the operation of infrastructure, as well as the ability to capture new emerging trends and conditions that affect the region's socio-economic development potential and life standard.

Thus taking a longitudinal perspective, i.e. considering the evolution of need from the early 1990s to date, it is clear that many of the problems and deficits that characterized the region twenty-five years ago are still present and have even exacerbated in some fields (see Table 2 below).

**Table 2: Degree to which initial needs were met**

Field	Need	Evolution	Need largely met?
Services/connectivity/ territorial cohesion	Basic infrastructure/essential services	Significant improvement	No
	External accessibility (physical)	Significant improvement	Yes
	External accessibility (telecom/broadband)	Significant improvement	Yes
	Internal connectivity	Significant improvement	No
	Internal disparities	Significant improvement	No
Labour market/ human capital	High unemployment/irregular labour	Limited improvement	No
	Long-term unemployment	Limited improvement	No
	Weak education levels	Limited improvement	No
	Outmigration of skilled	Situation has remained largely unchanged or even worsened	No
Enterprise	Low skill equilibrium	Limited improvement	No
	Diversification of company size	Limited improvement	No
	Low productivity	Limited improvement	No
R&D&I	Weak public sector R&D	Significant improvement	No
	Weak private sector R&D	Limited improvement	No
Structural adjustment	De-comm./recovery of old industries	Limited improvement	No
	Economic diversification (tourism, culture)	Limited improvement	No
Social cohesion	Social exclusion/poverty	Limited improvement	No
Environment	Environmental problems	Limited improvement	No, improvements, also significant, in some fields or areas, regression in others (e.g. waste)
	Environmental monitoring	Significant improvement	Yes
Context conditions	Low administrative capacities	Limited improvement	No
	High levels of irregular activities	Situation has remained largely unchanged or even worsened	No

**Legend:**

	Significant improvement
	Limited improvement
	Situation has remained largely unchanged or even worsened

Considering the entire study period as a whole, Campania now has transport infrastructure that is in line with or above national standards, a level of broadband coverage that is well in line with the national average, its main cities – Naples and Salerno – have improved considerably in terms of living standards (safety, usability of public spaces, image, public transport etc.) and the rural hinterland is more economically diversified than it was 23 years ago. These achievements, which responded to real needs, would not have been possible without the contribution of the ERDF programs.

In other areas, the support provided by ERDF programs has determined achievements that have been useful, on the whole, but which have not been able to fully meet the underlying development needs that they were meant to address. This is the case with entrepreneurial development and structural change, R&D&I, and social cohesion (though for a complete assessment of this theme one would need to consider the ESF interventions in more detail). The ERDF programs failed to fully tackle environmental needs, which were met only in some sectors – e.g. the supply of water to households and businesses. Finally, needs have remained in areas where the ERDF does not intervene, or has little influence (such as health, justice, and housing). Thus, significant challenges and unmet needs persist: the region has consistently shown high rates of poverty, unemployment and worklessness, especially among women and young people, with a high rate of young people not in employment, education or training (SVIMEZ, 2012). The economic structure has not modernized as would have been necessary to set the region onto a path of sustainable growth (other than thanks to price competition); the service sector has remained constantly dominated by a disproportionately

high (and rising) rate of public sector employment; the private sector has remained by the service, trade, hospitality and transportation sectors as the main areas of specialization. Firms in agriculture and the industrial sector have been of smaller average size and utilized higher levels of undeclared work than other areas of Italy (Banca d'Italia, 2012). Traditional sectors (such as garments, footwear, jewelry and ceramics), albeit managing to co-exist with more modern ones (such as aerospace), weren't able to move away from the low competitiveness productions, which have largely been unable to keep up with international trade after the accession of Italy to the EMU/Eurozone. Soil erosion along coasts and rivers, industrial site contamination, water pollution, and urban and industrial waste management - remain severe: over the study period, they have proven most intractable in the highly urbanized areas. The region's high endowment of cultural and natural heritage is at risk of deterioration, but it also offers opportunities for tourism. High levels of 'irregular activities', i.e. legal activities performed outside or in violation of norms, such as in the construction of residential property and industrial localization, resort to the shadow economy and the use of undeclared labor (Banca d'Italia, 2012) continue to characterize the region, weakening the potential for development. Organized crime (*camorra*), which infiltrates the economy directly (e.g. in the public works industry or in urban solid waste management) or indirectly, exacting charges from entrepreneurs, for instance via the forced hiring of staff or purchase of services, via extortions, via the purchase of products and services at manipulated prices, or by forcing firms to abstain from or alter their bids in public procurement (Spampinato, 2012; Maggioni, 2004), continues to exert a strong negative influence on economic activity. The current financial crisis, which has hit the economy of Campania harder than the rest of the Mezzogiorno (and Italy), has uncovered an unmet need for a stronger resiliency of the regional economy (recovery is a distant prospect).

Even where achievements have been greatest, moreover, domestic factors, particularly the unavailability of resources to cover running and maintenance costs and difficulties in ensuring compliance with rules (e.g. land management), are reducing the overall utility of the infrastructure that has been realized through the ERDF programs. This is true particularly for transport, culture, some environmental infrastructure (e.g. water cycle management, especially sewage collection and treatment) and industrial infrastructure.

A summary review of the degree to which the programs targeted, addressed and solved need in the various policy fields studied in the present research is provided in Table 3 below, for each program period and across the entire study period 1989 to date.

**Table 3: Need, effort and achievements for eight key fields of intervention [draft assessment]**

	1989-93			1994-99			2000-06			2007-13			1989-2013	
Thematic axis	N	E	A	N	E	A	N	E	A	N	E	A	E	A
Enterprise	+	+	-	+	++	-	+	++	-	++	--	--	+	-
Structural adjustment (e.g. tourism)	++	--	≈	++	+	≈	++	+	≈	++	+	-	+	-
Innovation	+	-	≈	+	++	≈	+	++	≈	+	++	-	++	≈/-
Environmental sustainability	++	-	-	++	-	-	++	-	-	++	++	≈	-	-
Labour market	++	-	-	++	≈	-	++	≈	-	++	--	-	≈	-
Social cohesion	++	--	≈	++	-	≈	++	+	≈	++	++	≈	+	≈
Urban development and spatial cohesion	++	--	≈	++	--	≈	+	+	+	+	-	-	-	+
Infrastructural endowment	++	++	+	++	++	+	+	++	++	+	++	+	++	+

**Legend:**

**N - Needs**

Scale (assessment of the region at the start of the period)

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

**E – Policy Effort**

Scale (assessment of the policy effort, i.e. strategic weight and financial resources assigned to the themes)

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

**A - Achievements**

Scale (end of period with respect to beginning of period)

- ++ Very high achievement, the results for this field are much above expectations given the effort put into it and ex-ante conditions
- +
- ≈ Average achievement, the results for this field are those which could be expected given the effort put into it and ex-ante conditions
- Negative achievement, the results for this field are below expectations given the effort put into it and ex-ante conditions
- Very negative achievement, the results for this field are considerably below expectations or even nil

Note: 2007-13 shaded as both program strategies are being revised and it is thus too early to assess achievements. Values indicated are early and preliminary estimates that may be subject to change.

## 5.2 ... and overall, although investments were able to improve quality of life, especially in some areas, they weren't able to improve the region's longer-term prospects

Further, taking a wider, macroeconomic perspective, over the past two decades the region has seen only marginal improvements in its GDP, production base and employment, and has not become more competitive, as demonstrated by the poor resilience during the recent recession (as the GDP per capita and labor market figures in Table 4 below show).<sup>29</sup> Campania remains a lagging region compared to the rest of Italy and Europe: Its Objective 1/Convergence status has not changed, not even after the enlargement eastward in 2004. Indeed, the trend in the region's share of the national GDP has been declining from 1985 to 2010, as has GDP per capita relative to the national average (66 percent at the end of the 1990s, 63 percent in 2011). Productive activities struggle to implement the changes that would be necessary to grow. Services based on cultural and natural heritage are far from achieving their full potential. If the challenges affecting the productive structure of Campania have changed over time - industrial conversion in the 1980s, ability to compete in a globalized economy today – the same difficulty of keeping up with change persists.

Just like in other Objective 1/Convergence regions (e.g. the Spanish ones, see Faiña *et al* forthcoming), Cohesion policy in Campania supported a process of extensive but not intensive growth (Irmén 2005). This raises the question as to whether Cohesion policy has failed. The answer is not clear-cut and deserves a reflection about the reasons for the performance described and whether they were endogenous or external to the policy, and about the factors that meant that intervention in some fields was more successful than in others.

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<sup>29</sup> Notwithstanding diverging trends during the sub-periods: at the end of a decade of growth, the crisis of the early 1990s compounded the effects of the closing-down of large (especially public) industrial firms and the end of the Special Intervention; the region fully recovered during the second half of the 1990s. In this period, small firms localised in industrial clusters showed potential for growth, export and employment; however, this potential was eroded during the 2000s, especially in traditional industries (e.g. garment, footwear), due to competition from East Asia, and regional GDP stagnated even before the crisis hit.

**Table 4: Evolution of selected indicators – Campania compared to Mezzogiorno and Centre-North of Italy**

		1990	1995	2000	2004	2005	2006	2007	2008	2009	2010	2011	2012
GDP per capita (€, chained values, ref. year 2005)	Centre-North	NA	NA	28,505	28,875	28,848	29,261	29,488	28,861	27,017	27,482	27,490	NA
	Mezzogiorno	NA	NA	16,009	16,390	16,511	16,805	16,966	16,692	15,812	15,775	15,717	NA
	Campania	NA	NA	15,265	15,786	15,809	16,077	16,304	16,029	15,113	14,968	14,834	NA
Added value per labour unit (€, chained values, ref. year 2005)	Centre-North	NA	NA	55,200	55,281	5,574	56,103	56,457	55,852	53,979	55,789	56,063	NA
	Mezzogiorno	NA	NA	45,300	44,868	45,328	45,604	46,160	46,107	45,597	46,414	46,585	NA
	Campania	NA	NA	45,000	44,274	44,820	45,497	46,595	47,187	47,212	47,982	48,244	NA
Employment rate	Centre-North	NA	56.8	60.7	63.8	64.0	65.0	65.4	65.7	64.5	64.0	64.0	63.8
	Mezzogiorno	NA	42.9	44.4	46.1	45.8	46.6	46.5	46.1	44.6	43.9	44.0	43.8
	Campania	NA	42.2	42.9	45.0	44.1	44.1	43.7	42.5	40.8	39.9	39.4	40.0
Female employment rate	Centre-North	NA	43.7	49.6	53.5	53.8	54.9	55.3	56.1	55.1	54.8	55.1	55.5
	Mezzogiorno	NA	26.6	28.4	30.7	30.1	31.1	31.1	31.3	30.6	30.5	30.8	31.6
	Campania	NA	26.3	27.0	29.1	27.9	28.4	27.9	27.3	26.3	25.7	25.4	27.6
Unemployment rate	Centre-North	NA	7.9	6	4.9	4.8	4.4	4.0	4.5	5.9	6.4	6.3	8.0
	Mezzogiorno	NA	18.1	18.9	15.0	14.3	12.2	11.0	12.0	12.5	13.4	13.6	17.2
	Campania	NA	20.2	20	15.6	14.9	12.9	11.2	12.6	12.9	14.0	15.5	19.3
Long term unemployment rate	Centre-North	NA	2.9	2.2	1.9	1.8	1.8	1.6	1.7	2.2	2.8	2.9	3.7
	Mezzogiorno	NA	9.2	10.9	8.2	8.0	7.1	6.0	6.5	6.7	7.4	7.9	10.5
	Campania	NA	9.6	10.5	8.2	8.6	7.6	6.1	7.2	7.4	8.3	9.7	12.6
Youth unemployment rate	Centre-North	NA	22.6	15.8	15.0	15.3	14.4	13.7	14.5	20.1	22.1	23.3	28.9
	Mezzogiorno	NA	44.8	44.7	37.6	38.6	34.3	32.3	33.6	36.0	38.8	40.4	46.9
	Campania	NA	50.7	49.2	37.7	38.8	35.4	32.5	32.4	38.1	41.9	44.4	48.2
Employment in informal sector (% of total employment)	Centre-North	NA	NA	NA	9.0	9.2	9.2	9.4	9.2	9.4	9.3	9.3	NA
	Mezzogiorno	NA	NA	NA	19.0	19.5	19.3	18.5	18.7	19.8	20.2	20.3	NA
	Campania	NA	NA	NA	21.0	19.8	19.2	17.7	18.5	18.4	18.6	18.6	NA
Employees in R&D (per thousand inhabitants)	Centre-North	NA	3.2	3.3	3.5	3.7	4.0	4.4	5.0	4.7	4.8	NA	NA
	Mezzogiorno	NA	1.2	1.4	1.6	1.7	1.8	1.9	2.1	1.9	1.8	NA	NA
	Campania	NA	1.5	1.8	2.0	2.0	2.2	2.2	2.6	2.5	2.2	NA	NA
Business R&D spending (as % of GDP)	Centre-North	NA	0.6	0.6	0.6	0.6	0.6	0.7	0.8	0.8	0.8	NA	NA
	Mezzogiorno	NA	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	NA	NA
	Campania	NA	0.3	0.3	0.4	0.4	0.4	0.5	0.5	0.5	0.5	NA	NA
Population in households below poverty line (%)	Centre-North	NA	NA	7.3	5.4	4.9	5.7	5.7	5.4	5.2	5.3	5.4	6.5
	Mezzogiorno	NA	NA	25.5	25.0	24.0	22.6	22.5	23.8	22.7	23.0	23.2	26.2
	Campania	NA	NA	NA	24.9	27.0	21.2	21.3	25.3	25.0	23.2	22.3	25.8
Household internet dissemination (% of households decl. access)	Centre-North	NA	NA	17.4	0.0	37.2	38.7	41.7	45.2	49.6	54.8	57.3	58.1
	Mezzogiorno	NA	NA	11.1	0.0	28.7	29.4	32.6	35.2	42.3	47.2	48.7	50.0
	Campania	NA	NA	12.9	NA	29.4	29.0	33.9	37.2	45.3	48.3	51.8	50.9
Business employees who use internet (%)	Centre-North	NA	NA	NA	22.6	26.5	29.8	30.7	33.3	33.3	35.2	37.6	NA
	Mezzogiorno	NA	NA	NA	14.6	14.3	19.1	19.6	20.9	22.2	22.8	24.6	NA
	Campania	NA	NA	NA	14.8	14.4	18.5	21.0	20.1	22.9	24.4	25.3	NA
Childcare (% of 0-3 year olds who have used childcare)	Centre-North	NA	NA	NA	15.5	15.0	15.9	16.2	16.8	17.9	18.4	NA	NA
	Mezzogiorno	NA	NA	NA	4.2	4.5	4.3	4.3	4.8	5.0	5.2	5.0	NA
	Campania	NA	NA	NA	1.5	1.9	1.8	1.9	2.4	2.4	2.7	2.7	NA

Source: ISTAT.

## 6. What worked and what didn't? And why?

A number of factors contributed to make the transport infrastructure field probably the most successful within the fields of intervention of the ERDF implemented in Campania. These were particularly true in the 2000-06 period and were: strategic planning and integration, leadership, and knowledge-based policy-making. Strategic planning was ensured by framing all transport investments in a comprehensive regional strategy, a Regional Transport Plan, a novelty in the regional programming landscape, introduced in the early 2000s. This made it possible to continue to implement projects that had been started in previous program periods; to maximize the use of *all* available resources (from the ERDF programmes, both national and regional, as well as from different strands of domestic sources); and to coherently link transport infrastructure projects that had already been realized in a wider synergic picture (particularly in rail transport). This was one of the few fields of intervention in which integration and synergy between ROP and NOPs was pursued.

Second, the existence of strong leadership: the regional minister, an internationally respected expert in this field, had a clear vision of the needs in the field of transport in Campania and what needed to be done to address this, and he could also pursue it, thanks to a team of competent regional officials around him (which was not the case across the entire regional administration) and strong endorsement from the top political level (President Bassolino). Lastly, a solid anchoring of policy on research and data made the policy relevant (including the monitoring and analysis of the effects of the investments realized on the transport preferences of users, via periodic ad hoc analyses and field research, a practice that has since been discontinued).

This has not been free from problems, e.g. increasing costs due to variants to the original plans, the length of time taken to realize investments, the discussed maintenance issue. There are also additional concerns linked to the considerable use of coherent projects, as has been noted already. Nevertheless, the achievements have been remarkable: in this sphere, largely thanks to this approach, Campania today is not even remotely comparable to what it was 23 years ago. However, as mentioned, whether these achievements are going to be sustained in future years will depend first and foremost on the political choices made by the governments that will run the Campania region (and Italy) in future. Similar characteristics, particularly strong political leadership and vision, were at the heart of the positive performance of the urban regeneration measures in Naples and Salerno.

In other spheres the policy's performance was hindered by factors both endogenous and exogenous to the policy. Endogenous factors include the failed appreciation of certain types of need or inability to translate these in adequate strategic responses; implementation difficulties linked to domestic institutional and cultural factors; and ineffectual delivery arrangements.

### **6.1 Strategies too wide-ranging and poorly prioritized**

The relevance of programs was generally high, in the sense that the programs' strategies, priorities and goals by and large captured real needs. However, the strategies tended to be all-encompassing, objectives too wide-ranging (compared to the financial scale of support) and not always adequately defined (especially in earlier periods), and not sustained by adequate prioritization and operationalization (a problem typical of Cohesion policy programs and not confined to Campania, Casavola 2009).

Further, some important needs remained undetected or unaddressed, notably in the fields entrepreneurial support and labor market/social inclusion. Support to firms, in particular, was not sufficiently geared towards competitiveness; it neglected a section of the region's entrepreneurial class and ERDF programs alone could not (and could not be expected to) overcome the effects of a wider environment that is not conducive to entrepreneurial activities. Incentives provided over time have allowed firms to remain temporarily in the market, but they did not prompt firms to step-up their game and, in so doing, increase productivity. A role in this was played, particularly since 2000, by an understanding of innovation as a 'high' concept, applicable to high-productivity, high-technology sectors (such as aerospace, automotive, biotechnologies), but not sufficiently geared to the traditional sectors that are still a strong component of the regional productive fabric (clothing, shoe-making, jewelry, etc.).

Firms operating in traditional sectors - such as textiles, fashion and leather - continue to be important in the regional economic outlook, and Campanian firms in these fields represent a significant share of the national industry. Yet, there has not been adequate support to embed

innovation in these more traditional industries and their clusters (intended beyond the upgrading of machinery, for instance as design, materials and process innovation). A second, albeit perhaps less important, factor has been the neglect of a section of the region's entrepreneurial class, i.e. the large number of small and micro-firms. The support of ERDF programs has been largely targeted at medium-sized and large firms (e.g. the aforementioned law 488/92 was directed primarily at them). This might have made sense at the time from an economic point of view, but it neglected the employment and social impact of the wide array of small and micro- handicraft firms. Lastly, and as already discussed, entrepreneurial activities in Campania pay the price of a context that hinders competitiveness<sup>30</sup> and whose alteration largely falls outwith the reach of Cohesion policy (though the policy can contribute to it). All of this reduced the utility of business support provided.

Similarly, with regard to social inclusion the ERDF programs have certainly contributed to improve social cohesion by improving educational infrastructure, by supporting the provision of essential services and of social services (e.g. nurseries, with good performance, as shown in Table 4 above), and by determining a change in approach to regional-level policy-making in this field. However, the programs' utility has been fundamentally hindered by the failure to tackle poverty, organized crime and the shadow economy more widely. In view of these issues, and in the absence of a wider policy response to address them, any support provided by ERDF programs could be no more than palliative. As such, it has been important nonetheless, but not sufficient to fully meet needs. SVIMEZ has estimated that undeclared labor in 2006 - i.e. 17 years into the period reviewed - represented 21 percent of the total workforce (SVIMEZ, 2007: 335). As mentioned, the ERDF programs have injected considerable resources for the improvement of legality and security in Campania, particularly via the multi-regional/national dedicated programs. Yet in this field the desired change has not materialized. The *camorra* and its hold on the economy are still strong. In their analysis of the province of Naples, Guadalupi and Sorrentino (2004: 85) found that 'there isn't an urban area belonging to the province of Naples in which criminal associations do not operate, whether with more or lesser strength'. Indeed, some observers argue that the *camorra* (just like organized crime in Italy more generally) has strengthened in recent years, for example increasing its presence in legal economic activities (Cantone and Di Feo, 2010). Thus, in this sphere ERDF programs have not been able to contribute to solve the problem. An effective challenge to organized crime is essential to allow economic development to take place and to create the social capital that is necessary to achieve durable and irreversible change. Most of the resources of the ERDF programs were spent on interventions such as video-surveillance systems but this type of support has worked in certain parts of the region, where the problem has largely been one of micro-criminality (petty crimes, drugs use), but is arguably unsuited to solve the pervasiveness of organized crime in parts of the regional

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<sup>30</sup> Enterprises in Campania are affected by the low competitiveness of Italy as a whole (the '*sistema Italia*', as it is often referred to), which is due to a number of factors: low economic growth; higher costs of production factors; slow productivity increases; labour market rigidity; high taxation; and low endowment of strategic factors (Maggioni *et al.*, 2004: 11). In the latest World Bank ranking on ease of doing business, Italy is now in 87<sup>th</sup> position, down four since 2011, overtaken by countries such as Albania or Zambia (World Bank, 2012: 6). However, in addition to this, firms in Campania suffer from a wider set of context-related disadvantages that would need a set of interventions wider than those for entrepreneurial support in the strict sense. Maggioni *et al.* (2004) estimated the differential of costs and revenues faced by a firm operating in the province of Naples compared to a firm operating in a comparator province in the Centre-North of Italy (Parma). This is equal to lower turnover of a staggering 26.5 percentage points and higher management costs of 8.27 percentage points. Seven factors contribute to this differential according to the scholar: the impact of criminality; a less efficient credit market; an inefficient labour market and a labour force mismatched to the needs of firms; a less effectual system of economic infrastructure; less reliable energy supply; a more limited availability of entrepreneurial services (accounting, legal and administrative advice, marketing, feasibility studies etc.); and a reduced effectiveness of the innovation and technology transfer system (Maggioni *et al.*, 2004: 69-75).

territory (INT60). The measures for the re-use of confiscated goods for the provision of much-needed social services have been rather marginal too (because they have received comparatively few funds and have operated at a small scale), albeit symbolically important.

It should be questioned, however, whether the lack of achievements in this area represents a failing of the ERDF programs or rather – as we would argue – a matter that falls largely beyond the reach of Cohesion policy. An effective challenge to organized crime would require a systematic and comprehensive policy response aimed at the *'decamorrizzazione'* and *'de-racketisation'* of the territory, i.e. 'bottom-up initiatives to reinstate freedom' and the enforcement of measures to release public procurement from the hold of organized crime<sup>31</sup> (Grasso, 2004: 72; INT60). Such a systematic policy would include features and investments which clearly exceed the scope of the ERDF (although the ERDF programs can participate in the effort through specific projects, as they have endeavored to do thus far, and must consider this issue in program design). Organized crime and the shadow economy are closely interlinked and one may wonder whether in reality there has been some form of devil's deal (Tendler, 2002) whereby the shadow economy has been perhaps 'tolerated' as a necessary evil, useful to preserve a precarious social balance in potentially explosive contexts, rather than purposefully challenged. Neglecting this part of the economy has frustrated the energies of both firms and workers, however, depriving the region of a source of growth (Meldolesi, 2009) and the failure to recognize this in the ERDF program strategies has significantly hampered their overall utility.

From a wider perspective, and particularly in the 2000-06 period, the research uncovered consensus that there was a *dispersion of the policy effort into too many themes and funding streams* (NVVIP, 2011; INT17, INT18, INT55, INT44, INT70), which exceeded the available strategic and managerial capacity. This complicated implementation and proved detrimental to the achievement of the necessary critical mass, in those field which received relatively limited amounts of resources such as the field of cultural resources (a point also raised by the ex post evaluation of the 2000-06 ROP, Regione Campania, NVVIPP, 2011). This is not a criticism of the size of projects, which does not seem to have been a weakness per se, but a criticism of the lack of prioritization and competence subdivision at strategic level with other, non-cofunded, streams of public spending. In other words, Cohesion policy alone was taken as the solution for all problems, which it cannot be.

In summary, if on the one hand some fields of intervention were not successful due to the inadequate targeting or consideration of underlying factors (as in the field of enterprise support and labor market/social cohesion above discussed), on the other hand, the programs tried to do too much. This leads to the theme of the interrelation with domestic regional policy and wider capital spending, discussed below.

## 6.2 Unsatisfactory synergies between programs, funds and domestic spending

Except for some examples of complementarity between ERDF programs and domestic spending programs in the field of transport infrastructure - some of the investments in Naples' underground, for instance, and the Battipaglia logistical hub, in the province of Salerno, were funded by a national infrastructure law ('Legge Obiettivo') - and more limited coordination in other fields (e.g. via Contract Framework Agreements), the research did not uncover any real, systematic attempt to

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<sup>31</sup> For instance, by regulating that acquiescent entrepreneurs are not just fined but also lose the right to operate on the market, thus redressing market asymmetries (Grasso, 2004: 73).

coordinate EU Cohesion policy with domestic capital spending. On the contrary, the utility of ERDF programs has been hampered in the last few years by the declining amount of capital public spending that has been assigned to (and spent) in the region. Cohesion policy, alongside with domestic regional policy - the Fund for Development and Cohesion (formerly Fund for Underutilized Areas) should be 'additional' expenditure, i.e. territorially-targeted expenditure aimed at catching-up. As such, by definition it represents only a fraction of the total capital spending that should flow to a lagging region. In Campania, as discussed in Section 3.3, it represented a fraction of total capital spending. The decline of public capital spending net of regional policy resources in the past decades and particularly in recent years, compounded by the cuts in domestic regional development funding from 2008 onwards (DPS, 2011), have meant that ERDF programs had to compensate for the relative lack of domestic capital spending, that they have lost additionality (Regione Campania, NVVIP, 2011), and that they have been directed to areas of spend that are not directly linked to development, for instance 'maintenance works which are necessary but induce little growth' (INT14; also INT4, INT69).

Partly related, the necessity to guarantee *domestic co-financing* has been a problem throughout the study period, and one which has worsened in the current one, contributing to delaying or altering programs, undermining the programs' potential to achieve the goals initially set (INT29). The internal Stability and Growth Pact, in particular, imposed severe constraints on public spending by the local authorities and as such has impacted significantly on Campania's ability to find the necessary domestic co-financing (Regione Campania, NVVIP, 2011: 3). In 2012, this problem was 'solved' by a temporary modification to the internal Pact and increasing co-financing rates (which, however, has had the effect of further reducing the overall value of the programs).

Perhaps even more surprisingly, there was also a lack of coordination and synergy between programs (regional and national) and funds, which also had the effect of diminishing the programs achievements and utility. With some notable exceptions – notably in the fields of transport infrastructure, education and, to an extent, research and innovation (mainly in the 2000-06 period) – and despite the existence of overarching macro-regional strategies in all program periods, the integration between NOPs and ROPs remained largely nominal, and synergies and complementarities were not actively pursued. The complementarity and synergy of ERDF interventions with ESF and EAGGF/EAFRD and with domestic regional policy interventions left much to be desired too. At the national level, this was largely lacking due to the lack of communication between sectoral ministries and the regional authority, whilst at the regional level the funds were implemented separately (even if within a single, multi-fund program). Complementarity between ESF and ERDF was minimal, except in specific domains, such as education in the 2000-06 and 2007-13 School NOPs, and ICT and business support in the 2000-06 Local Entrepreneurial Development NOP. The separation with which the two funds have traditionally operated in Brussels has exacerbated this problem, cascading the effects of the lack of integration in the programs and on the ground. Even when there were attempts to achieve complementarities and synergies between the two funds, for instance within the 2000-06 Territorial Integrated Projects, such attempts were unsuccessful, not least because of the difficulty of reconciling different rules and coordinating actors operating in different administrative units (Casavola and Bianchi, 2008; and INT62, which pointed out the exception of Territorial Integrated Project Phlegraean Fields).

### 6.3 Implementation difficulties due to low administrative capacities and the wider domestic context

A low level of administrative capacity has plagued the region throughout the study period, affecting the ability of the regional authority to effectively interact with local bodies, to enforce rules, to implement policies and to operate, manage and maintain the infrastructure systems built. During the study period, there have been considerable improvements in the level of institutional capacity within the regional administration, largely driven by the ERDF programs, for instance: better strategic and operational capacities within the regional administration, improved monitoring and evaluation of the outputs and effects of policy, the creation of an institutional infrastructure of sectoral plans, and the institution of a regional 'environmental authority' which monitors environmental phenomena.

However, the low initial baseline<sup>32</sup> and the fragility of the improvements made over time<sup>33</sup> (according to many interviewees, Campania is today experiencing an institutional regression), have meant that the day to day management of the regional programs has frequently been challenged by practical constraints.

A few examples illustrate this point. First, program documents only partially took into consideration past experience, evaluation recommendations and the actual degree of absorption capacity of regional stakeholders. As a result, during implementation resources were often shifted from one priority or measure to another with the effect of altering the relative weight of different priorities in the programs and thus the programs' de facto strategic orientations. Second, the length and

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<sup>32</sup> This assessment of the inadequacy of the regional machinery in the first two programme periods, both in general and specifically in relation to Cohesion policy, emerged strongly in interviews (e.g. INT1, INT3, INT33, INT37, INT52, INT70) and is reported in evaluation studies and literature (ISMERI EUROPA, 1995; Giannelli and Profeti, 2006; La Spina, 2003). During the entire first decade of the period under review, Campania was one of the Italian regions (together with Sicily and Calabria) which were the most 'resistant' and 'refractory' to the principles, underlying philosophy and procedures of the Structural Funds (Giannelli and Profeti, 2006). Problems were varied and had various roots: at the apex of the institutional system, they reflected the existence of a fragmented rather than collegial political and governmental leadership. Every regional minister represented 'a specific constituency, bearer of particular interests and pinnacle of an administrative apparatus under its direct control, operating by and large in an entirely disconnected manner from the rest of the machinery' (Giannelli and Profeti, 2006: 227). This internal fragmentation was exacerbated by the fact that each regional ministry was subdivided into various units: in the early 1990s, the regional authority counted as many as 29 'general areas of intervention' (Giannelli and Profeti, 2006: 234). The administration was over-sized and antiquated, 'embedded in rites and procedures of other times. Rooms full of papers, offices without computers, a very high average age of the employees. Not even one paragraph of the Bassanini reform<sup>32</sup> has been received' (Bassolino, 2011: 87). Within this broader framework, the structure devoted to the implementation of the Structural Funds programs was 'minimal', made by 'a single referent devoted to community policies and a net separation between the Funds' (INT52).

<sup>33</sup> Over time, and particularly during the first Bassolino mandate in the 2000-06 period, improvements to the level of institutional capacity in the regional administration were realized (Giannelli and Profeti, 2006; INT1, INT33, INT52, INT56 and various others), but these proved limited to the sphere of actors actively engaged with the implementation of Cohesion policy (Marra *et al*, 2012) and thus short-lived and fragile to changes of political guard and staff turnover. The enlargement of the political majority supporting the regional government – largely in response to national political developments (Bassolino, 2011) - meant the reversal of the process and a return to the old particularistic logics of political control of the policy process. Key actors, including the Head of the ERDF Managing Authority, left the administration. As the group of administrators in charge of the regional program had remained fairly 'isolated' from the rest of the administrative structure (despite cross-fertilization attempts), the progress made left only few durable traces. This and the change of government that followed (in 2010)<sup>33</sup> meant that the progress realized was largely lost. The progressive loss of 'weight' of the national department in charge of regional development - the Department for Development and Economic Cohesion - broadly in the period from mid-2000 to the appointment of the Monti government in November 2011 (Polverari, 2013), was a further element contributing to this reversal. The upgrading of the regional administrative structure in charge of the implementation of the ERDF programme during the early 2000s had relied on a close linkage with such a national authority, as those actors within the region 'that were responsible for development policies had found their legitimisation in Rome and when Rome collapsed, they found themselves isolated and thus also collapsed' (INT14).

administrative complexity of the project cycle in infrastructure, and the fact that they exceeded the length of the program period was systematically underestimated in early programs (Florio, undated). This resulted in the widespread use of coherent projects, which only seldom had a direct link to the programs' strategies (with the notable exception of transport infrastructure since 2000). Third, and similarly, the lengthy procedures and potential tensions entailed by integrated territorial programming, in the 2000-06 period, were underestimated with negative consequences on the projects outcomes and timetable, and requiring the virement of resources to other types of intervention (notwithstanding, again, exceptions, such as the Integrated Territorial Projects for the Phlegraean Fields which delivered important and sustained results through over 100 interrelated projects).

On the whole, implementation difficulties of different sorts were frequent, linked to administrative inefficiencies (e.g. delays, contradictory decisions between different authorities) and also to a high propensity of potential beneficiaries to challenge award decisions in court (partly linked a historically-high degree of irregularities which spurred distrust in public decision-making but also due to a high dependency of some sectors of the regional economy on public procurement and State aids, which created a strong incentive to try and overturn decisions). This had obvious negative consequences for the achievements obtained and the timetable over which the policy was able to deliver its outcomes.

#### **6.4 European regulatory constraints**

Lastly, just like elsewhere in Europe (Bachtler *et al.*, 2009), EU rules governing expenditure, notably those on expenditure claims and automatic decommitment, have resulted in attention being paid predominantly on the progression of expenditure, rather than on results. This has meant the substitution of novel or innovative projects, which have by nature a longer project cycle (UVAL, 2006), with easy-to-implement projects (irrespective of their added value). For example, in 2000-06, this resulted in abandoning ambitions to achieve integration between ESF and ERDF within the Integrated Territorial Projects (Regione Campania, NVVIP, 2011; INT5). This is an issue that the new regulatory environment for the next cycle of programs intends to address (with its intended focus on results-orientation).

### **7. Conclusions**

The policy's achievements and utility over the study period, summarized in the preceding sections, have been no doubt disappointing. Pessimists would conclude that very little has been achieved. Optimists would point to the important progresses realized in selected fields which, even though not diffused, had nevertheless significant impact on the lives of residents in the region. The very optimists, like Pressman and Wildavasky (1984, 87), would observe that

'when we say that programs have failed, this suggests we are surprised ... if we believed that intense conflicts of interests were involved, if people who had to cooperate were expected to be at loggerheads, if necessary resources were far beyond those available, we might wonder rather more why the programs were attempted instead of expressing amazement at their shortcomings'.

Perhaps, for a policy as complex as this one - that relies on the integration with and leveraging of other policies, and that by definition operates in a context not conducive to growth and

development - the point is not so much or not just that ambitions were not realized (as they most clearly weren't), but to draw lessons for the future, as Campania will continue to obtain significant resources from Cohesion policy for the programming cycle 2014-20. The first such lesson is to be realistic about what was achieved and about what could have been achieved under the circumstances in which the policy was implemented, given the resources available and the wider policy context. We hope that this paper has made a useful contribution in this direction.

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