



## **REGIONAL DISPARITIES IN THE EUROPEAN UNION. WHAT ARE THE FACTORS THAT COULD INFLUENCE THE SUCCES OF SINGLE REGIONS IN DEPLOYING EUROPEAN AID?**

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### **Abstract**

The concepts of solidarity and cohesion represent the principal aims of European Union (EU) regional policy. Indeed, promoting economic and social cohesion can mitigate the structural disparities among European regions, having positive effects on all Community territories. EU encourages these objectives through financial funds and instruments in aid of less developed regions. However, despite these financial efforts, disparities in the European context and within the same national boundaries persist. The reasons for this phenomenon are partially ascribed to the capacity of Member States and regions to manage financial resources, identifying priority projects and sectors, where investments should be directed.

Moreover, regional disparities are quantified by means of symptoms and driving forces. The former represents the effects of inequalities, such as GDP per capita, unemployment and youth unemployment. The latter concerns the reasons of spatial imbalances, such as R&D and human capital, infrastructure, environment, governance, social, natural, and human capital. On the other hand, only by tackling these problems could economic and social development be encouraged and promoted. In addition, single Member States have a directive role in deciding how the financial instruments should be used and in bearing the responsibility for managing it properly. From this perspective, the driving forces represent causes of spatial disparities and at the same time the key factors of regional success in deploying EU aid. However, some of these elements, such as R&D, human and social capital, and governance, can influence the strategies and policy to manage European funds in a direct way. Indeed, for example, innovative projects in the R&D field and forms of governance, characterized by transparency and efficiency, can represent the distinction between more and less developed regions. On the other hand, although infrastructure, environment and natural capital do not have a direct impact in deploying EU regional policy aid, their analysis is necessary in order to understand the invariable aspects, such as geographical position, and how these immutable factors should be handled, acting to other elements.

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The main disparities in terms of GDP persist at regional level. From this perspective, Italy represents a significant case study due to historical divide between northern and southern regions. Indeed, Italy represents an emblematic case of coexistence of a rich area, which is typified by the central and northern regions, and the south, characterized by widespread economic and social deprivation. From this perspective, this paper aims to identify and examine driving forces that influence and encourage the regions' success in deploying EU regional aid, analyzing the specific case study of Italy.

## **1. Introduction**

The formal birth of regional policy within the European Union (EU) dated back to the adoption of the Single European Act in 1986. The principal aim of EU regional policy concerns solidarity and cohesion concepts. The former is based on the reduction of structural disparities; meanwhile the second intends to promote economic and social cohesion owing to the positive effects that the mitigation of economic and social gap among European regions could have on all territories (European Union, 2011).

This purpose is achieved through three main objectives: Convergence, Regional Competitiveness and Employment, and European Territorial Cooperation. The Convergence goal promotes conditions and factors in order to foster growth and real convergence for the least developed Member States and regions. The Regional Competitiveness and Employment objective intends strengthening regional attractiveness, competitiveness and employment throughout EU. Meanwhile, the third goal aims at promoting cross-border, trans-national and interregional cooperation in order to achieve an integrated territorial development (European Union, 2009). In practical terms, the EU uses Structural Funds and instruments for the purpose of achieving these three objectives. Moreover, the principal fields of investment are: knowledge and innovation, transport, environmental protection and risk prevention, and human resources (European Commission, 2008, pp. 2-3). For the 2007-2013 programming period, the three fundamental financial instruments are: the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (European Union, 2009).

The ERDF focuses on regional development, economic challenges, competitiveness and territorial cooperation; meanwhile the ESF supports actions in order to promote employment and social integration in the labour market, and reforms in the education system. The third financial instrument, the Cohesion Fund, concerns different issues such as transport and environment infrastructure, energy efficiency and renewable energy (European Commission, 2008, pp. 2-3).

Although the EU defines the priority goals by means of the Community strategic guidelines on cohesion, National and regional governments manage European regional policy in a decentralized way. Indeed, the single Member States and regions have the task of choosing the principal objectives for each territory through a

collaborative process among European, regional and local authorities, social partners, and civil organizations (European Commission, 2008). Indeed each Member States drafts a National Strategic Reference Framework (NSRF), which defines strategies and the operational programmes (OP) that it intends to implement. The latter identifies criteria and priorities in order to select the single projects (European Union, 2010).

However, in recent decades, the European regions have tackled new challenges deriving from globalization and opening up of its economies. Indeed, the competition among new and old European countries but also between Member States and South-east Asian countries has increasingly extended. These phenomena have caused a redistribution of activities due to production dispersion and an increase of intra-sectional and intra-firm trades. These aspects represent some of the causes of the recent economic crisis that has hit both less and most developed regions in Europe (European Commission, 2006).

From this perspective, in the European context, two levels of disparities can be recognized: national and regional. The first concerns the national level, where Luxembourg represents the richest Member State in terms of per-capita income; meanwhile the poorest is Romania. The latter is around seven times poorest than Luxembourg. This gap becomes wider at regional level, where Inner London, the richest region, has a gross domestic product (GDP) that is 290% of EU-27' average. On the other hand, Nord-East Romania region, the poorest, has a GDP which is 23% of the EU average. From the international perspective, these disparities are really significant. Indeed in China and India the regional gap has a value of 7 times, in US only 2.5 times and in Japan 2 times. This difference between European Union and the international scenario reflects the fact that the EU is not based on a common market but on community values and policies, which are underwritten and accepted by all Member States (European Commission, 2008).

From this perspective, it is easy to understand what the real importance of EU regional policy is. However, single funds and financial instruments are not sufficient to achieve the social, economic and territorial cohesion. Indeed, only if Member States and regions are able to manage the funds and to identify priority projects, they can benefit from these financial instruments in order to encourage and promote the economic, social and territorial cohesion.

From this conceptual framework, this paper aims at identifying factors that influence and encourage the regions' success in deploying European Union regional aid. In particular, the Italian case study is analyzed in order to understand the direct and indirect issues that have entailed the historic disparity between northern and southern areas.

## **2. Disparities and factors of success in the EU**

The main territorial disparities at European level are between the core and the periphery. Indeed, the European Spatial Development Perspective (ESDP) identifies only a big economically integrated area, named “pentagon” that is composed by London, Paris, Milan, Munich and Hamburg. This zone provides global economic services and functions that guarantee high incomes and well developed infrastructures. On the other hand, at national level it is possible to recognize different inequalities, such as those between rural and metropolitan areas. Indeed, in the capital city region, there are the most favorable business conditions, such as accessibility, IT usage, transport, infrastructure, and education level. This unbalanced phenomenon reduces the possibility to have an aggregated economic growth (European Communities, 2004).

From this viewpoint, it is possible to recognize two different types of disparities: symptoms and driving forces. The former represents the effects of disparities in the EU, such as GDP per capita, unemployment and youth unemployment. Meanwhile, the latest, which are R&D and human capital, infrastructure, governance and social capital, constitutes on one hand the causes of spatial inequalities, and on the other hand, key aspects that can promote and encourage an appropriate and efficient management of the European financial instruments. Indeed, single Member States have a directive role in deciding how the funds should be used, and in bearing the responsibility for handling them properly. Therefore, the driving forces represent the factors that influence the regional success in deploying EU’s aid. However, their clout can be either direct, such as R&D, human capital, governance, and social capital, or indirect, such as infrastructure, environment, and natural capital.

In the following paragraphs, the European context in terms of direct and indirect aspects is analyzed in order to define the conceptual framework in which the Italian case study is included.

### **2.1 Direct factors**

The success of regions in relation to European financial aids is closely connected to their capacity to change and innovate. From this perspective, encouraging research, development and innovation represents a key issue in order to promote a sustainable economic growth. In this paragraph, the different direct factor are analyzed for the purpose of defining the current situation within the European borders and in order to clarify in what way they could promote an efficient handling of financial instruments.

First of all, an important and significant disparity exists among Member States and single regions in terms of research, development and innovation. Indeed, at European level, the better standards in relation to research are achieved in Sweden, Finland, Netherlands, Germany, France and some areas of United Kingdom. This phenomenon reflects the geographical distribution of disparities in EU. Indeed, in the

Convergence regions people with a tertiary education represent only 18% of total amount of human being aged 25-64. Meanwhile, in other regions this percentage achieves 26-27%. Moreover, different studies and analysis show that higher education and training improves and increases labour productivity, people's income and life satisfaction. In addition, people with a tertiary education, and in particular researchers, exercise a key role in terms of production and exploitation of new knowledge. Indeed, in 2007 the average relationship between productivity and the amount of people aged 25-64 with a tertiary education showed that productivity was 780 PPS higher for every percentage point in regions where the share of tertiary educated was above average. From this perspective, a high percentage of tertiary educated people represents a factor that can promote and encourage the economic growth (European Commission, 2010, pp. 32-37).

On the other hand, the tertiary education does not represent the only source of highly skilled workers. Indeed, retraining of people in every level of skills can improve and increase the number of highly skilled workers in particular if it is connected to labour market needs. In addition, skills and highly skilled workers allow regions remaining competitive in a global, knowledge-based economy. Indeed, the globalization and the recent economic crisis have increased intra-sectional and intra-firm trades. This phenomenon has caused some problems and at the same time some advantages. On one side, it has provoked a dispersion of the production, which has been located outside European borders by the main companies. From this perspective, some vulnerable sectors, such as textile, metal and electric equipment, have registered a decline in employment. In particular, this trend has concerned less specialized zones that have to compete with no European emerging economies, which are characterized by low-cost and low-quality products. Meanwhile, the specialized regions have moved up their economies towards high-end production, niche markets and high-tech goods. As a consequence, this market behavior has increased the production, maintaining the same level of employment. On the other hand, the globalization has produced an increase in the demand for logistic, monitoring and management systems. Indeed, the regions, where the economy is characterized by employment in financial, business and logistic sectors, have registered an improvement in terms of production and employment. It is the example of Luxembourg and Ireland, where in 2008 the trade surpluses in services thanks to financial sector were respectively 31.6% and 13.3% of its GDP (European Commission, 2010). From this perspective, the investments in human capital, entrepreneurship and improvement of business environment are essential in order to reduce economic loss, in terms of employment and production. Moreover, the integration of global trades, the introduction of new technologies and more skills could improve the economic situation of all regions. In other words investments on research, development and innovation as well as an appropriate and effective business venture can help State Members and regions to administrate EU regional policy's financial instruments.

Moreover, the quality of institutions and governance in general can have significant effects on economic growth in terms of efficacy of regional development strategies. Indeed, not only does an effective governance system entail guaranteeing that funds

are spent in proper ways but also it ensures and encourages a coherent and efficient strategy, the involvement of all stakeholders, the selection of good quality projects, and the monitoring, and the assessment of results. According to European Commission (2001), good governance is composed by five principles: openness, participation, accountability, effectiveness, and coherence. The first principle refers to a more open cooperation between local, regional and national government. It is important in order to encourage the participation and the involvement of all community. Participation is a prerequisite of development strategies' success. Indeed, first of all, coordination of all the stakeholders who participate in the planning processes is fundamental since the impacts of their actions could be completely out-of-control otherwise. This would possibly cause ineffectiveness and/or inefficiency of the planning processes. Secondly, the management of public participation processes provides information about local planning contexts and allows implementing more effective action strategies. Therefore, it promotes a better understanding of a community's needs, and as a consequence, planning decisions could meet population demands in the most proper way. From this point of view, participation could give a solid foundation to planning strategies and narrow local conflicts. The concept of accountability concerns the clarity of defining and identifying the roles and the responsibilities in the legislative and executive processes. The fourth principle refers to the effectiveness and timeliness of policies and strategies in order to identify clear objectives and an evaluation of future impacts. Coherence regards the complex problems that are not possible to be tackled individually because they need a political leadership, a strong responsibility, and a cooperation beyond national boundaries.

Form this point of view, an efficient governance system should be multi-level in order to identify the multiple and complex needs and preferences of people (Gore and Wells, 2009). Moreover, the multi-level governance has to be composed by horizontal and vertical collaboration. The first refers to central government; meanwhile the second concerns the cooperation across different governmental levels. This could represent a way to implement coordinated strategies of public investments. However, a multi-level governance needs a good training of municipal staff that should have skills in project management and budgetary practices. From this perspective, the partnership represents a key principle in order to achieve the economic, social and territorial cohesion, because the sharing of skills and knowledge can make planning and implementation more effective. For instance in France, a partnership between regional and central governments has been introduced in order to share responsibilities in terms of strategy design, monitoring, reporting and managing. On the other hand, only if the administration and the other different authorities are competent, efficient, impartial and client oriented could a multi-level governance be effective. (European Commission, 2010).

## **2.2 Indirect factors**

Encouraging the economic, social and territorial cohesion represents the main objective of EU regional policy. From this perspective, the investments in specific

fields such as infrastructure, environmental, and natural capital can promote the economic and social growth. However, although little do they have a direct impact in deploying EU regional policy aid, their analysis allows a more complete and exhaustive comprehension of investment channels, which are the key issues in the identification of strategies and policies to manage European funds.

Moreover, the opportunities of regional success in terms of competitiveness and economic development are connected to availability of infrastructure, such as transport and telecommunication networks. Indeed, the provision of effective infrastructures can have positive effects on productivity and growth. For instance, a well-planned transport system can encourage the regional development in terms of productive costs reduction, and improvement of competitiveness. From this perspective, a better access to labour market represents a key factor in order to attract investments and to promote economic and social cohesion (European Commission, 2010). In general, the major motorway networks in terms of density are located in Netherlands, Belgium, in the western German regions, and in United Kingdom. Moreover, high accessibility for goods and passengers represents an important aspect for regional economic performance that can be achieved by means of efficient road or motorway but also thanks to railways and airports (EUROSTAT, 2010). In addition, high –speed ICT networks represent another significant element because it improves the capacity to compete in the global market. From this perspective, the access to this kind of technology is essential in order to develop public and private on-line activities, such as communicating, selling and buying goods and services. Therefore, the crucial issue is the lack of borders. Indeed, these activities are not linked to a specific place, and as a result, it allows people to take part in economic, social and political life. In addition, ICT networks make market more flexible (EUROSTAT, 2010).

On the other hand, environment and natural capital are two significant factors in order to achieve the EU regional policy objectives. However, some environmental aspects such as the geographical position represent an invariant factor. Indeed, for example regions with geographic handicaps, such as mountain and insular regions, show physical characteristics relating to their positions that inhibit their development. Therefore, the main problems concern the population decline, and high levels of unemployment. Moreover, the low density population goes with low level of infrastructure and services (European Communities, 2004). In addition, climate change has negative impacts on economic, social and environmental systems in terms of environmental degradation, biodiversity loss, unsustainable use of natural resources, food supply, health, industry, and transport. In particular, the regions, which are mainly exposed to these problems, have to face important challenges to agriculture, forestry, fisheries, energy production, and tourism industry. Moreover, the intensity of these impacts depends on different issues, such as the physical vulnerability, the economic development and growth, the natural and human adaptive capacity, and the disaster monitoring mechanisms. From this perspective, the use of renewable energy and the measures to mitigate the impacts and causes of climate

change can create an economically and environmentally “win-win” situation (European Communities, 2004).

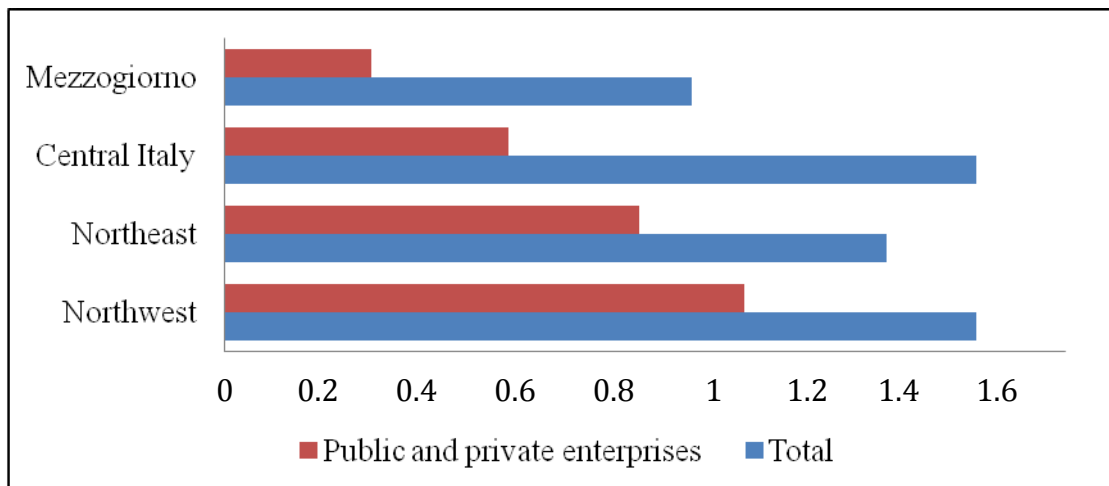
In conclusion, the regional success could be indirectly influenced and promoted by a better management and development of infrastructures, and by the investments on environment. Indeed, the latter can promote the economic development in three ways: ensuring a long-term sustainability of economic growth, reducing external environmental costs and promoting innovation and new jobs (The Council of the European Union, 2006).

### **3. The Italian case study**

Despite in recent years, disparities in terms of GDP has been reduced, significant regional differences within the same nations persist. Although these disparities are marked in different Member States such as Germany, France and United Kingdom, Italy represents an emblematic case due to coexistence of a rich area, which is composed by centre-northern regions, and the Mezzogiorno, which is characterized by an economic backwardness. However, the significance of Italian example in this context is not related to intensity of these imbalances but to their persistence in the course of time. Indeed, this divide depends on historical factors that date back to Italian unification. This phenomenon has led to a dualistic framework that represents a distinctive aspect of Italian development model (Aiello and Pupo, 2009). In this paragraph, the direct and indirect factors in relation to the Italian case study are analyzed in order to understand their impacts on the historical disparities between northern and southern regions.

#### **3.1 R&D and human capital**

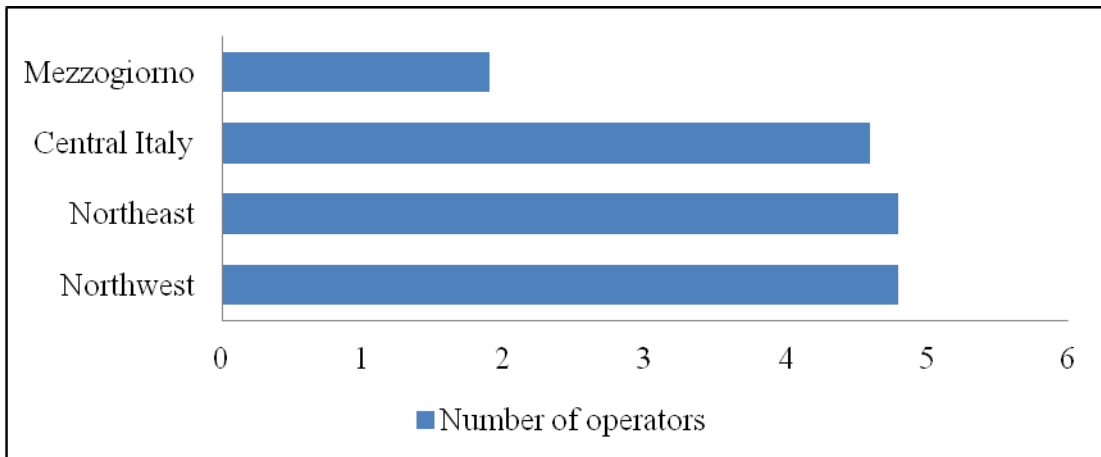
In relation to R&D, in 2009 the main total expenditure on this field, in terms of GDP percentage, is located in the north and central Italy (Bar chart 1). In particular, the worthiest regions are Piedmont (1.83%), Latium (1.78%), and Trent (2.09%). However, in the latter the significant percentage is due to both public and private institutions. In Piedmont is prevalent the role of private enterprises; meanwhile in Latium, universities and public research bodies represent the main investors. Moreover, the expenditure of private enterprises in the Mezzogiorno is below the national average owing to medium-low dimensions and the sectional compositions of companies (Istat, 2009).



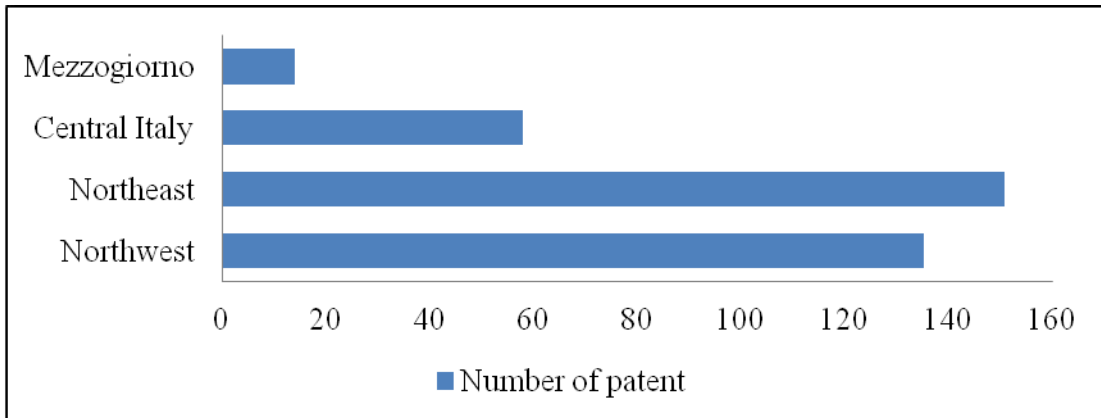
Bar chart 1 Expenditure (expressed in percentage of GDP) on Intramural R&D in 2009 (Istat, 2009)

In addition, the companies that invest in R&D are concentrated in the northern Italy, where regional governments support small-medium enterprises by means of tax reliefs. In particular, the most amounts of funds come from Lombardy, Lazio, Piedmont, Emilia-Romagna and Veneto. For example in Lombardy two different kinds of funds exist: FRIM and FESR. The former finances industrial and development research projects that are oriented to innovation in terms of products and processes. The second support investments that are linked to industrial application of research results (Pagamici, 2011).

The divide between Northern and Southern regions is confirmed also by the number of operators (for 1000 inhabitants) on the R&D field (Bar chart 2) and by the number of patent for millions of inhabitants (Bar chart 3). Indeed, the higher percentages are linked to the northwest and northeast areas, where there is the combined action of private enterprises, which absorb the 60% of R&D operators, and universities. However, in the central and southern regions, the supremacy concerns the universities and public research institutes (Istat, 2009).



Bar chart 2. Number of operators (for 1000 inhabitants) on the R&D field in 2009 (Istat, 2009)

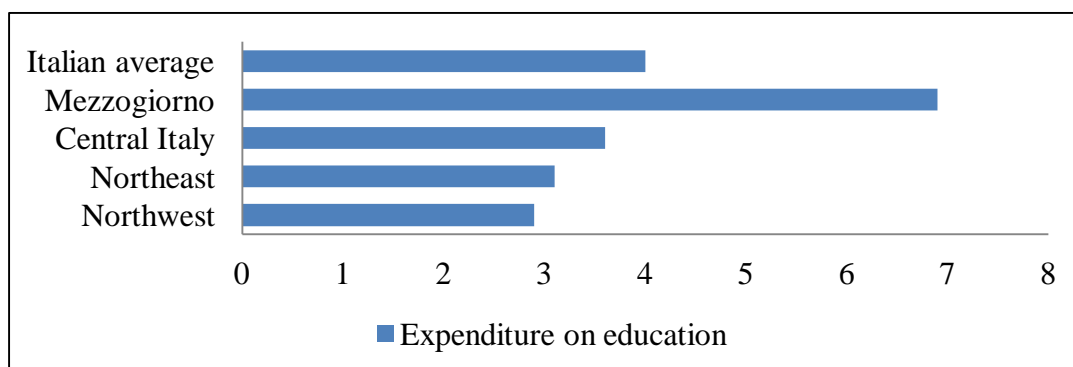


Bar chart 3. Number of patent per millions inhabitants in 2007 (Istat, 2009)

In relation to the second indicator, the territorial distribution of patents shows a low level in the Mezzogiorno, where the value is similar to the less European State Members. Meanwhile, the situation is different in the North due to the sectional productive structure (Istat, 2009). From this perspective, the success of northern regions is assignable to a strong presence of industry and a polycentric spatial organization, where productive services are distributed around a number of local centers.

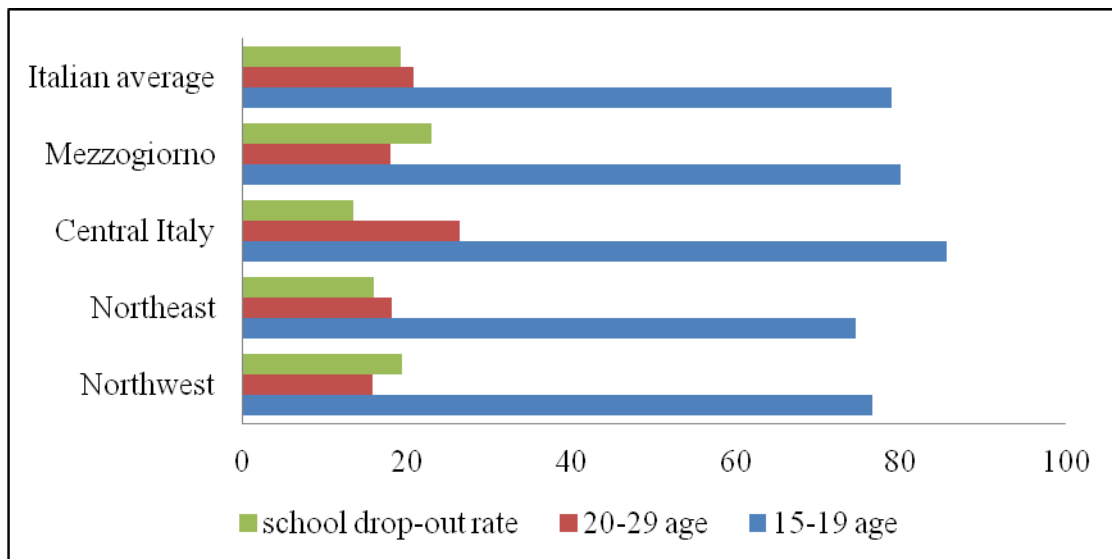
Moreover, the gap between northern and southern regions in terms of human capital is analyzed in relation to six indicators: public expenditure on education, expressed in percentage of GDP, rate of participation to education in relation to 15-29 age population, the school drop-out rate, the percentage of population with a tertiary education, and the rate of young people outside the productive and the educational process.

In 2007, the rate of expenditure in relation to GDP on education was 4.0% in Italy (Bar chart 4). However, the situation is different between northern and southern regions. Indeed, the main percentage of investments concerns the Mezzogiorno regions, such as Calabria, Sicily, Basilicata, Apulia, and Campania, owing to a larger school age population (35.1% of total Italian school age population).



Bar chart 4 Rate of expenditure in education, expressed in percentage of GDP in 2007 (Istat, 2009).

On the other hand, the percentage of participation of 15-19 and 20-29 age population to education (Bar chart 5) shows the same data in the entire Italian territory. Little is the percentage in relation to 20-29 ages. However, this phenomenon suffers from the mobility of tertiary educated people. Although the percentage of participation is regularly distributed, the school drop-out rate is particularly relevant in the Mezzogiorno. Indeed, for example in Sicily the trend reaches nearly a 25 percent.



Bar chart 5 Rate of participation to education in relation to 15-19 and 20-29 age population and the percentage of school drop-out in 2009 (Istat, 2009)

In addition, it is significant the percentage of 30-34 age population with a tertiary education. Indeed, the rate is particularly low in the Mezzogiorno, where the percentage assumes a value of 15.2% that is below the national average (19%). Moreover, in the south of Italy the rate of 15-19 age population outside the productive and educational processes assumes a value of 29.7% that is 9.7 point lower of Italian average. These data are confirmed by the statistics on unemployment. Indeed, the rate of youth unemployment (15-29 ages) was about 36% in 2009; meanwhile the Italian average was about 25.4% (Istat, 2009).

From these perspectives, despite the higher expenditure in the education field, the Mezzogiorno shows a lower percentage of tertiary educated population and a higher school drop-out rate. Therefore, it appears that the backwardness of southern Italy is imputable to other reasons, such as quality of education process, and social issues in relation to family composition. On the other hand, the efforts of private enterprises on the R&D field represent the distinctive aspects that have positively influenced the success of northern regions.

### 3.2 Governance and social capital

Until 1990s, the national strategies of development reflected the top-down approach in Italy. As a consequence, the role of public administration has increasingly become central in the Mezzogiorno, exacerbating the historical divide between Northern and Southern regions.

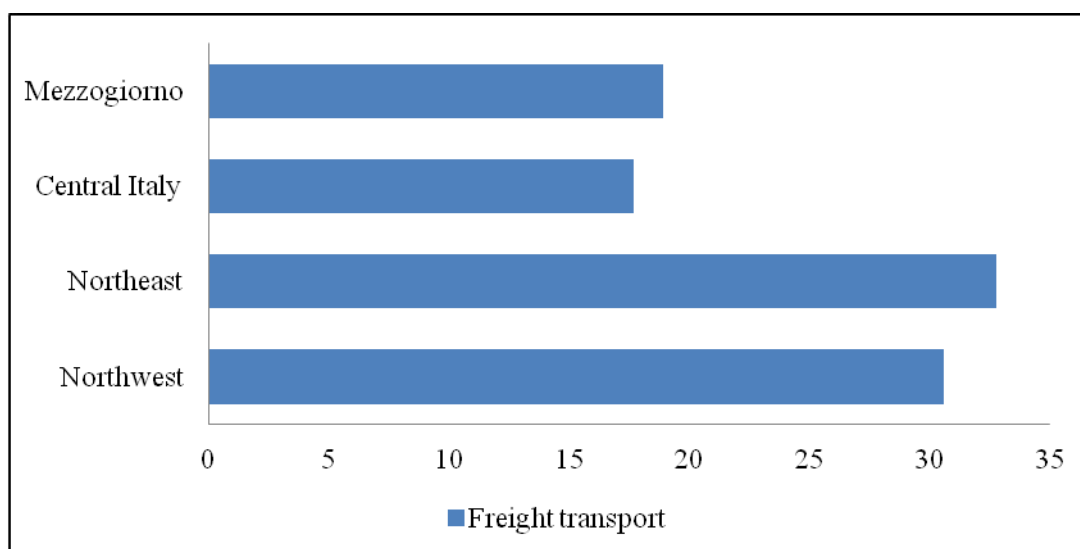
However, although it appears (Calamai, 2009) that the devolution in conjunction with the liberalization of key sectors have decreased the Italian disparities, strengthening the capacity of self-financing, the Mezzogiorno is still characterized by

an existence of criminal organizations, which undermine the effectiveness and transparency of economic, social and political strategies as well as the integrity of public administrations. One example is the incapacity to manage the emergency state relating to solid waste disposal in Campania. Indeed, this emergency state represents an economically profitable situation for the organized crime, which collects more profits from the illegal waste management rather than from drugs deal and extortions. Moreover, this situation is made worse by legal entrepreneurial sectors, which on one hand, take advantages to illegal waste disposal systems in order to reduce costs and on the other hand, this context allows them taking an active part in crisis management (Lacueli, 2008).

From this perspective, despite the new progress of Mezzogiorno, the historical disparities between northern and southern regions are partially ascribed to a scarcity and a negative typology of social capital, based on political patronage and characterized by dishonest governance.

### 3.3 Infrastructure, environment and natural capital

The road transport represents the favorite modality of freight movement, provoking consequent phenomena of congestion. Moreover, four fifths of total freight transport originates in the central-north regions, meanwhile one fifth in the Mezzogiorno (Bar chart 6).



Bar chart 6 Percentage of freight transport in 2008 (Istat, 2009).

Indeed, the economy of northern regions is based on an export oriented system and it is strongly dependent on international markets. In addition, the main industrial productions are located in Lombardy, Piedmont, Veneto and Emilia-Romagna. Moreover, northern producers do not have interest in the southern market due to single market and currency and globalization. This situation has led an increasingly demand for federalism forms by northern regions. The principal airports in relation

to tonnes of freight, and number of passengers are Milan-Malpensa, and Rome-Fiumicino. Another important aspect is represented by ICT networks. In the central-north regions the 50% of families possesses a broadband connection. However, the percentage is lower in the Mezzogiorno, where the rate reaches the 38.6%. On the other hand, the gap in relation to the access of broadband connection is lower for the category of enterprises. Indeed, the rate of companies that use this typology of ICT networks is 77.8% in the Mezzogiorno, and 84.5% in the central-north regions.

Moreover, the geographical position represents an important factor that can promote and encourage the economic and social cohesion. Indeed, northern regions are obviously advantaged owing to their proximity to the more economically integrated areas. In addition, this situation reflects the disparities between core and periphery zones of Europe. In addition, the percentage (gross domestic consumption) of electricity production from renewable energy sources is 20.5% in Italy in 2009. However, the situation is different between the Norths, where the rate reaches the 22,3%, and the Mezzogiorno, where the percentage represents the 16.1% of total electricity production in 2009.

From this perspective, the success of northern regions is represented by facility of commercial trades beyond their boundaries thanks to their geographical position but also to their infrastructure effectiveness, the production of hydroelectric power thanks to their proximity to the Alps and a wide flat territory.

#### **4. Conclusions**

The EU regional policy promotes economic, social and territorial cohesion and innovation among its Member States by means of financial funds and instruments. However, despite EU efforts, disparities among different territories continue to exist at international and national scale. In addition, globalization and economic growth has affected more and less developed regions, representing one of the main challenges for European regions. Moreover, within the national boundaries regional disparities are significant. From this perspective, Italy represents an emblematic example owing to the historical divide between economically stronger northern regions, and the Mezzogiorno. The latter is affected by economic backwardness, which is made worse by criminal organizations, corruption and political patronage.

However, in no way does the only role of European Union guarantee a stable growth across all European territory. From this perspective, the EU regional policy represents a tool in order to influence and promote the regional success but at the same time it is not sufficient to promote economic, social and political growth. Therefore, more efforts and skills from single Member State and regions are necessary to achieve EU regional policy's objectives. For this reason, direct and indirect factors are analyzed in order to understand the aspects that can promote the regional success.

The first group of aspects, concerning R&D, human capital, governance, and social capital, promotes the important principle of innovation. Moreover, governance and strong institutions represent a prerequisite in order to achieve the EU regional policy aims. Indeed, the capacity to allocate funds within the regional territory is one of the most important issues of the European strategies. Therefore, only if governments and public administrations have skills and competence to identify the most appropriate investment sectors, can funds help the economic, social and political cohesion. The indirect factors, such as infrastructure, environment, and natural capital, allow regions to produce new surplus value goods and services, improving the local competitiveness in the international market. From this perspective, Northern Italian regions are famous for “made in Italy” products. They are linked to continuous innovations in terms of materials, marketing and quality. The small-medium enterprises are oriented towards a specialized market of exclusive products that are expression of quality. The “made in Italy” products allow to compete with the emerging economies, which are characterized by low costs of production and low quality. In addition, although the traditional successes in the fashion industry, which are represented by famous brands, such as Gucci, Prada, D&G, Armani, Versace and Valentino, Italy is characterized by production of famous gastronomical products such as “parmigiano reggiano” and “prosciutto di Parma”. They are Protected Designation Origin (PDO) products. PDO is a regime within the framework of Protected Geographical Status (PGS) defined in European Union Law. PDO products are entirely produced and manufactured within the specific region and for this reason, they acquire unique properties. From this perspective, the capacity to orient the economy towards specialized sectors together with innovation efforts represents a key success of northern Italian regions (Onida, 2004). Therefore, innovation needs experimentations in all knowledge fields.

Moreover, the necessary infrastructure has changed since the possibility to buy and to distribute services online exists. Despite the increasingly importance of digital networks transport, infrastructures remain important due to its capacity to move people and goods across the EU and the world. In addition, some regions are more successful thanks to their geographical position and their natural resources. On the other hand, problems such as climate change need coordinated and integrated actions at all scale and level, because they have negative impacts on economic, social and environmental systems.

In conclusion, the scenario of northern Italian regions shows different factors that have promoted and encouraged the success in terms of economic, social and territorial cohesion. Some of these are connected to efficiency of public administration and institutions, others to capacity to orient the market towards specialized sectors that represents the Italian products in the world. From this perspective, more efforts in terms of R&D, innovation, infrastructure, governance and social capital are necessary in order to achieve the success in deploying the EU regional policy aid.

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