

INSTITUTIONAL CAPACITY AS A KEY FACTOR IN TERRITORIAL DEVELOPMENT POLICIES: A CASE STUDY ANALYSIS IN THREE EU COUNTRIES

Carolina Pacchi¹

Abstract

The aim of the paper is to present and discuss the results from a cross European empirical study aimed at exploring the relationship between capacity building policies, institutional capacity and territorial development policies, in the framework of territorial cohesion, and to reflect upon the relevance of capacity in this field.

In particular, the main focus of the SMART-IST project, funded under the ESPON programme and led by Politecnico di Milano², has been to investigate to which extent institutional capacity is a crucial variable in contributing to the design of effective territorial development policies, and which types of capacity building programmes and policies seem more appropriate, in the different contexts, to enhance, improve and strengthen institutional capacity.

From a methodological point of view, the project has analysed nine case studies in eight regions (Puglia, Sicilia and Toscana in Italy; Aquitaine, Alsace and Rhône Alpes in France and Dolnoslaskie and Lubelskie in Poland), focused on different types of territorial development policies across different policy areas (territorial integrated projects, decentralisation of competences in the management of Operational Programmes, integrated river and landscape management, waste and water policies) and in two different programming periods (2000-06; 2007-13).

In this paper we will focus in particular on institutional capacity, trying to understand how this relatively broad and fuzzy concept can be operationalized using empirical research, with the obvious limits of a very limited empirical basis, and which lessons can be learned in a policy perspective, looking at the design and implementation of the next EU funds programming period 2014-20.

¹ Politecnico di Milano, Milan – Italy; carolina.pacchi@polimi.it

² The project group was formed by DiAP Politecnico di Milano, Milan, Italy; DITer Politecnico di Torino and Università di Torino, Turin, Italy; IGOP Universitat Autònoma de Barcelona, Barcelona, Spain; Istituto per la Ricerca Sociale), Milan, Italy; Sciences Po, Université de Lyon, Lyon, France; the project stakeholders were the Department for Development and Economic Cohesion of the Italian Ministry of Economic Development (Lead Stakeholder) and the Interministerial Delegation for the Development and Competitiveness of Territories (DATAR) of the French Government.

Introduction

Connecting the effectiveness and the impacts of institutional capacity (and of related capacity building policies and programmes) with the quality of regional development policies, and with structural variables from the contexts is a question of direct interest for the definition, development and implementation of EU Cohesion Policy, in particular as far as the debate on the new programming period is concerned (university of Strathclyde, 2010). In fact, preparatory debates about the 2014-20 programming period highlighted the increasing importance of this dimension, seen as the ability of public administration to deliver sound and effective policy. In particular, the improvement of the capacity to design, implement and evaluate policies seems to be one relevant focus (European Union, 2010; European Union - ESF, 2011).

Moving from this background, the SMART-IST project framework proposed to investigate the connection between structural variables, capacity building policies and institutional capacity at regional level, with the aim to finally connect any intervention on these dimensions with the quality of policy design in the cohesion policy field, as illustrated in Figure 1.

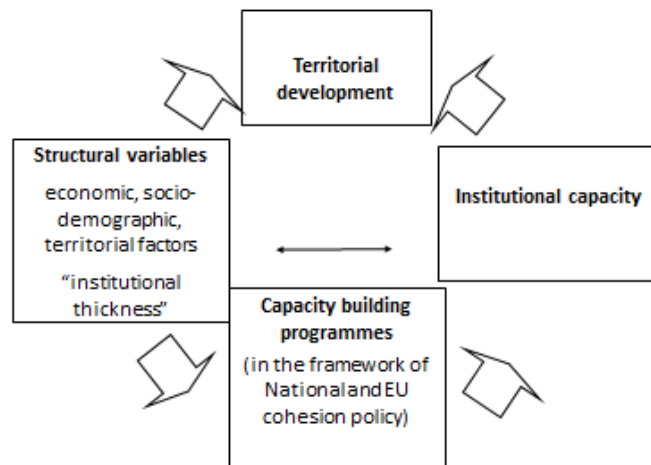


Figure 1. The SMART-IST Framework

As we will see, during the course of the project this interpretative scheme has been modified, according to the first results of the empirical work and extensive interpretative discussions.

In order to fully introduce this framework, the paper will propose in this section a brief presentation and discussion of each section of it, with a specific accent on the institutional capacity concept, which is the main focus of the paper.

In the first place, *structural variables* are those variables related to the socio-economic features of the different regional contexts, which are at the same time the starting point of regional development policies, but also the objective of policies themselves. Data bases at regional level are very detailed, both within and outside of the ESPON databases: the main objective of our research has been therefore not so much to improve such basic data, but try and find meaningful connections with the other variables in the interpretative framework.

It is important to note that the regions selected for the analysis are in quite different positions as far as development trajectories are concerned, which is confirmed by all the basic indicators: in particular, Alsace, Aquitaine, Rhône Alpes and Toscana are quite developed contexts, in which indicators as GDP are around or above the EU average, while Puglia, Sicilia, Lubelskie and Dolnoslaskie are in a very different situation, with GDPs which are well below the EU average (between 60 and 70% of the EU average, apart from the case of Lubelskie, which is around 40% of the EU average); in turn, the GDP in all regions (except Lubelskie) has been declining since 2005.

It is possible to detect a significant difference between the two Italian regions, which were part of the EU policies since many years, and the Polish Regions, which are part of a new accession country.

The second significant variable which was taken into account is capacity building policies: they refer to actions aimed at strengthening the capability of government officials to manage their programmes, to provide services to their constituents, or to manage their overall jurisdictional or inter-jurisdictional responsibilities. Capacity building refers, therefore, on the one hand to improving managerial practices (along New Public Management theories), such as management, strategic and operational planning, or evaluation; and on the other, to transforming power and institutional relations (in a governance perspective) and producing learning and innovative governing arrangements.

As far as *institutional capacity* (IC) itself is concerned, this has been the key variable in our study and its ability to contribute to the explanation of the quality of territorial development policies, in connection with capacity building policies and in the context of the structural features of different territories has been the main object of study. It is therefore worth considering it in detail. Since the concept of institutional capacity includes a broad variety of themes, we started our research summarising different approaches derived both from literature and from policy, able to propose convincing and workable definitions of IC, within the framework of EU policies and beyond, with the awareness that in the literature it developed first as a normative and operational concept rather than as an analytical notion (IMF 2002; UNDP 2011; for the analytical perspective Gualini and Salet, 2007).

If we focus our attention on the EU, the concept of capacity implies to pay attention to the development of strategies and competences to maximize the opportunities for

policy implementation, in particular as far as programming, selection and evaluation, implementation and monitoring are concerned.

Looking at the EU Cohesion Policy field, the role of institutional factors and capacity building has been considered since long as an important prerequisite in promoting territorial development. As the Barca Report puts it: “It is widely agreed that both formal and informal institutions are a prerequisite for a place to make full use of its potential”. Starting from this assumption, in discussing the rationale for exogenous intervention in a place-based approach, the Report mentions institutional capacity among the most relevant concepts, that is “the capacity of public and private local institutions to govern and coordinate collective decision-making”. As it happens with the agency of individuals, social capital, trust and democratic participation in decision making, the Report highlights that “all these institutional conditions tend to stimulate development by encouraging the involvement and cooperation of people, creating an incentive for them to pool knowledge and to develop collective projects” (Barca, 2009, p.22). In this definition there is the acknowledgement of the complex governance framework which is necessary to successfully design and implement regional development policies, which has also been at the basis of the SMART-IST analysis.

Analysis

In order to plausibly connect the different project variables, the project concentrated on nine case studies in eight EU regions.

Three cases were analysed in France:

- the decentralization of the management of the Operational Programme to the Regional Authority in Alsace;
- the policy interventions in the field of innovation and solutions for an effective cooperation between the Managing Authorities of the Operational Programme and the Regional Authority in this field in Aquitaine;
- the programming and implementation of a multi-regional programme, in particular in the field of management of river basins in Rhône Alpes).

Four cases in Italy:

- the setting up of the Regional Evaluation Unit in Puglia;
- policy interventions able to build up territorial integrated development programmes (TIPs) in Sicilia
- integrated development projects in particular in the field of urban development in Toscana;
- technical assistance measures employed by the Central government to support regional governments in the implementation of reform processes and sectoral planning in the field of water and waste management in Puglia.

Two cases concerned a CEE country, in this case Poland:

- the implementation of the Regional Development Strategy 2020 in the Dolnoslaskie region

- the decentralization of structural funds management in the period 2007-2013 in the Lubelskie region.

The researchers engaged in field research worked with a comprehensive template, aimed at describing at the same time the basic socio-economic structures in each region, together with more specific reconstruction of the policy course, explicitly aimed at capacity building (like the set-up of the Regional Evaluation Unit in one Puglia case) or in which the capacity building dimension has played a significant role.

<p>Chapter 1: Research problem</p> <p>description of the main research problem to be explored.</p> <p>Chapter 2: Context related features</p> <p>2.1 <i>Socio – economic development</i></p> <p>2.2 <i>Institutional and political characteristics</i></p> <p>general focus on structural variables and institutional thickness</p> <p>analyze the departure point and changes in the main contextual factors – social, economic, and political- that shape institutional capacity in the analyzed regions over time (before, during and after the implementation of the interventions);</p> <p>analyze the main challenges to social and economic territorial development in the region.</p> <p>Chapter 3: Outcomes of analyzed interventions</p> <p>analyzes the success of the intervention or its failure</p> <p>Chapter 4: Telling the story of the intervention</p> <p>retraces the story of the analyzed intervention with respect to the research problem.</p> <p>Chapter 5: Actors involved</p> <p>identifies the main actors involved in the analyzed intervention and their role in its programming, implementation, monitoring and evaluation.</p> <p>Chapter 6: Analyzing institutional capacity</p> <p>focuses on characterizing institutional capacity and its (eventual) evolution over time</p> <p>Chapter 7: Capacity building policies</p> <p>focuses on capacity building policies put into place and their effectiveness in increasing institutional capacity</p> <p>Chapter 8: What works</p>

focuses on the mechanisms explaining how institutional capacity brought about better interventions.

Table 1. Template for case study analysis

Results

As a first result of the analysis, the research identified three different declinations of the concept of institutional capacity, as emerging from the nine case studies. Our hypotheses are strictly linked with the policy area examined in the study and it would be necessary to test them in other policy areas and across a larger number of different regional contexts, in order to extend their analytical use. Nevertheless, they are probably worth mentioning and discussing as a first reference.

Even if they are partly overlapping at the empirical level, the three declinations can be distinguished from an analytical point of view, and can thus be very useful in a policy development perspective:

- the first one has to do with the *ability to come to terms with rules and procedures*, that is to say the complexity of the management dimension of EU funds, and the ability to combine them with the national and/or regional rules and procedures;
- the second one is the capacity to use EU funds and procedures to *bring forth and implement complex territorial projects and strategies*, which local actors already had in mind, or which they develop on purpose;
- finally, a third possible declination is the capacity to use the competences built through the use of EU funding in order to *improve the overall quality of administrative action*, i.e. the increase in quality of intervention due to the diffusion and mainstreaming of the partnership principle, the sustainability framework, the use of monitoring and evaluation, the emphasis on multilevel governance, etc.

As far as the first declination is concerned, we find evidence of such type one IC across all SMART-IST cases, even if in different modes and with different time dynamics, depending on the initial level of capacity present in the region, but also on the length of the period in which regions have been involved in EU funded policies: here, differences between regions managing European Structural Funds since long and newcomers can be significant.

In this sense, it seems that the Italian cases can be contrasted with the French and the Polish ones, but also that there are considerable differences between regions with a strong initial level of institutional capacity and weaker ones. If we look at the Italian regions, we can certainly say that the long experience in managing EU Structural Funds has meant an overall capacity to come to terms with such procedures, even if, since in most cases the administrative structures of the target regions were considerably weak and characterised by low levels of administrative and institutional capacity, the results have not been the expected ones. In such regions, quite

frequently technical assistance policies from the central government level have substituted local actors, without properly contributing to an overall increase in capacity. This has been for instance the case for the management of waste and water policies in the Puglia case.

On the other hand, in Sicilia, a Region with a long experience in managing Structural Funds, the huge amount of local development programmes promoted through Territorial Integrated Projects (TIPs) overloaded the regional bureaucracy and increased the level of conflict between centre and periphery, with a resulting low degree of effectiveness of the local development policy.

In the French cases, on the contrary, there is a widespread capacity of managing complex territorial development processes, and the only gap to be filled in is the one between the French national system of rules and procedures and the EU one. In this sense, the case of decentralization of competences in Alsace, for instance, shows that together with the transfer of specialised staff from the State administration, there has been a significant investment in human resources after the decentralization started. Similarly, the Aquitaine case shows a growing institutional capacity of this first type, and this brings forth the general acknowledgement that the Region is the right actor to deal with this process.

In the two Polish cases, introducing Cohesion Policy for the first time implied a significant effort in coming to terms and complying with new systems of rules and procedures, both at the national and local level: in this respect, the choice made by the National Government to proceed through a sort of 'delayed decentralisation' strategy, even if it overloaded regional actors with very complex procedures, proved effective to a certain extent. Probably the on-the-ground training implemented through pre-accession procedures and the 2004-06 programming period had not been able to build the institutional and administrative capacity which was in fact needed for the 2006-13 programmes. Thus, the complex institutional arrangements put in place between the Voivodship and the Marshal Office both in Dolnoslaskie and Lubelskie may be considered part of this institutional and administrative capacity building process.

In particular, despite its very recent institution, the Dolnoslaskievoivodship presented a good level of institutional capacity at the outset of the analyzed intervention, in terms of good quality, highly educated civil servants, organizational characteristics and interdepartmental relations, even if the high degree of personnel turnover has put some strain on the effectiveness of the administrative units involved. As for the Lubelskievoivodship, despite the overall structural socio-economic conditions, the analysis showed how the level of institutional capacity seems to have been growing throughout the time schedule of the observed phenomena (with a significant role played by the skills and competences of the administrative personnel, both those gained before entering the regional offices, and those gained afterwards).

The second declination is the capacity to use EU funds and procedures to bring forth and implement projects and strategies. While very frequently the availability of EU funding triggers opportunistic behaviour on the part of local or regional actors, in some cases actors have shown their ability to use funding in order to implement strategic and coherent projects or programmes which they already deemed necessary.

In other words, local actors show the capacity of implementing integrated policies, which means that they are able to integrate different sectorial policy issues by pooling different tools and different funding streams (public and private, regional, national, EU from different Structural Funds). This capacity to integrate thematic areas, implementation tools and devices and funding sources towards a strategic objective is to be found, within our cases, especially in the French cases and in Toscana, because this typology of institutional capacity does not specifically depend on the experience in managing EU rules and procedures, but is strictly linked with the initial maturity of administrative and institutional contexts, and it is possibly the least diffused of the three typologies.

We can find for instance this capacity in the Rhône-Alpes case, where a complex multi-regional regeneration programme used EU funding along with national and regional funding, through the reconfiguration of the original scope, from a quite sectorial to a more comprehensive and strategic one: the Plan Rhône is in fact interesting because it is representative of a habit of French actors involved in regional policies to expand the scope and resources of existing partnerships and inter-institutional cooperation devices through structural funds. From another point of view, in the Aquitaine case the ability to show competence both at content and at process level played in favour of the legitimation of the role of the Regional Government for the design and management of the programme on innovation. At the process level, the long acquaintance with experiences of contractualisation among actors, be they internal or external to the administrative structure, played a significant role, while from a content point of view, the experience in promoting, designing and managing policies towards innovation has significantly contributed to the overall capacity of this second type.

Probably the most interesting case in which such type two IC is found is the case of Toscana. Here Integrated Sustainable Urban Development Projects (ISUDP), the delivery mechanism of the policies defined in Axis 5 of the ROP 2007-2013, focuses on cities, as a fundamental part of a development strategy. ISUDP is a coordinated and systematic set of public and private actions aimed at enhancing sustainability and combining a better urban and environmental quality with a higher economic competitiveness, that has been implemented through a competitive mechanism and with a significant role played by the strengthening of partnerships at different levels. The opportunity of using Cohesion Policy funds on Axis 5 was matched with the emerging need of innovating the strategies and tools for urban regeneration at the local level. The regional structures showed here a significant capacity of matching the needs and attention towards urban regeneration with a more general policy perspective, which recognises urban contexts as significant hubs for territorial development in Toscana, and with the appropriate funding sources.

The third declination is the capacity to use the competences built through the use of EU funding in order to improve the overall quality of administrative action. In this declination, institutional capacity is a goal in itself and it can influence the final results in terms of territorial development, because its effects can improve the quality of administrative action beyond the Cohesion Policy interventions. More precisely,

the principles deriving from the diffusion of EU policies can be summarised in four main elements:

- the partnership principle, i.e. the ability to understand in which occasions it is appropriate or necessary to strengthen public/private or public/public cooperation and densify networks in a governance perspective;
- the ability to internalise the environmental sustainability dimension (through the introduction of tools such as SEA)
- the introduction of evaluation procedures in different phases of the policy cycle, along with the NPM framework and again in a governance perspective;
- the equal opportunities approach (in particular in the ESF funded policies and projects).

In the SMART-IST cases, we find evidence concerning mainly the diffusion of the partnership principle and of evaluation procedures, even if for instance in the Puglia waste, water and soil case, there is some evidence that the environmental competences built for the specific project may have had positive impacts on the regional structures more in general.

The Puglia Evaluation Unit case is very clear from this point of view: the Evaluation Unit has been a tool for the improvement of the capacity to plan, select and evaluate projects, especially but not only in the framework of the ROP: in terms of improving planning capacities, the Evaluation Unit had not a relevant impact in the 2000-2006 programming period as it was not involved in the programming phase, while its involvement in the elaboration of the 2007-2013 ROP contributed to the adoption of a different programming vision based on the use of specific methodologies, greater policy integration, the enhancement of participation. This means that the set-up of the Evaluation Unit, which can be considered to a certain extent a capacity building policy in itself, has promoted the mainstreaming and diffusion of evaluation across all the policy areas controlled by the Region, starting from the EU funded ones to encompass the others.

Toscana is another interesting case, because the implementation of the ISUDP policy enhanced networking and partnerships both along the vertical axis (multilevel governance) and along the horizontal one (different cases of inter-municipal cooperation). In this case, the increase in capacity has been one of the objectives of the regional actor, which enhanced its diffusion from the regional to the local level, in particular with the adoption of the competitive mechanism.

Also in the Aquitaine case, which focused on the process of establishment of an effective collaboration between the Managing authority of the Operational Program, the Préfet de Région, and the Regional Authority with particular attention to innovation, the analysis shows that collaboration is particularly relevant since it concerns the field of innovation and research, where the regional authority holds a strong leadership and technical capabilities. The new partnership sets real challenges both at regional and state level, with regard to two main aspects: the establishment of new patterns of collaboration and the integration of the new European guidelines and in particular of the innovation issue.

From the review so far, it seems that different types of capacity are present in different combinations: while in the French cases we find evidence of type two IC

and some elements of type three IC, while the first type is also intervening; Toscana offers a good example of type one and type three; in both Puglia cases again the emerging dimensions seem to be the first and the third one; in the Polish cases the first dimension appears paramount, and the same happens for very different reasons in Sicilia. As we noted at the beginning of this paragraph, a more comprehensive review of case studies across EU regions would be necessary to further test and refine this interpretative framework.

Conclusions and questions for further research

We can draw some preliminary conclusions from the SMART-IST research, as far as the institutional capacity dimension is concerned, knowing that in any case it is strictly linked with the other project variables, which cannot be discussed in detail in this paper.

Institutional capacity has been the object of increasing interest in the EU debate in the last years. Within the regulation document of the ESF, for instance, as we have seen in the Introduction, the concept of capacity is linked to the attention to be given to the development of strategies and competences to maximise the opportunities for policy implementation, a perspective within which the SMART-IST project moved from the beginning. In fact, regulations for both ESF and ERDF and prospective new regulation proposals for the 2014-20 programming period contain provisions for the strengthening of institutional and administrative capacity as a key element.

As far as the different typologies of IC are concerned, even if it is somewhat natural that in the European Commission (EC) policies particular attention is paid to the ability of the different Managing Authorities to efficiently manage Cohesion Policy, it would be a limitation to identify effectiveness only with financial management. In fact, the real test of effective implementation is the fact that the goals of the Lisbon strategy are attained and in order to do so the integration between European cohesion policy and domestic policies is actually working: type two IC is therefore very important and this has to do with the ability to avoid the risk of a strong separation between the public bodies in charge of the Structural Funds and the Cohesion Fund and the rest of Public Administration, as it sometimes can be seen in the case studies analysed.

Secondly, what emerges from the SMART-IST analysis is that in designing the strategy for enhancing IC the Member States and the EC should take into consideration a broader definition of administrative capacity than the simple ability to manage European funds. What seems necessary is therefore the ability to find some common indicators at the strategic planning level, in order to define not only the actions to be taken, but also the targets to attain in the different areas of IC.

References

- Amin A. (1999), “An institutionalist perspective on regional economic development”. *International journal of urban and regional research*, 23(2), p.365–378.
- Barca F. (2009), “An Agenda For a Reformed Cohesion Policy. A place-based approach to meeting European Union challenges and expectations”, Independent Report prepared at the request of Danuta Hübner, Commissioner for Regional Policy, Brussels.
- Brenner N. (1999), “Globalisation as reterritorialisation: the re-scaling of urban governance in the European Union”, *Urban Studies* 36, pp. 431–51.
- Brenner N. (2003), “Metropolitan Institutional Reform and the Rescaling of State Space in Contemporary Western Europe”, *European Urban and Regional Studies* 10, pp. 297-325.
- Cars G., Healey P., Madanipour A. (2002), *Urban governance, institutional capacity and social milieux*, Aldershot, Ashgate.
- European Union (2010), *Investing in Europe’s future. Fifth Report on Economic, Social and Territorial Cohesion*
- European Union, ESF (2011), *Institutional capacity. Public administrations and services in European Social Fund 2007-2013*, Bruxelles, EU, http://ec.europa.eu/employment_social/esf/docs/tp_institutional_en.pdf.
- Gualini E., Salet W. (2007), “Institutional capacity and planning milieux in European urban regions : an introduction to the case studies”, in Gualini E., Salet W. (eds), *Framing strategic urban projects : learning from current experiences in European urban regions*, London, Routledge.
- Healey P. (1998), “Building institutional capacity through collaborative approaches to urban planning”. *Environment and Planning a*, 30, p.1531–1546.
- IMF (2002), *The Role of Capacity-Building in Poverty Reduction*, <http://www.imf.org/external/np/exr/ib/2002/031402.htm> .
- Le Galès P. and Lequesne C. (1998), *Regions in Europe*, Routledge, London.
- OECD (2010): “Organizing Local Economic Development: The Role of Development Agencies and Companies”.

Raco M. (1999), “Competition, collaboration and the new industrial districts: examining the institutional turn in local economic development”. *Urban Studies*, 36(5-6), p. 951-968.

Scharpf, 1997, *Games Real Actors Play: Actor-Centered Institutionalism in Policy Research*, Boulder, Westview Press.

Stone C. (1989), *Regime Politics: Governing Atlanta, 1946-1988*, Lawrence: University Press of Kansas.

Stone C. (1993), “Urban regimes and the capacity to govern: A political economy approach”. *Journal of Urban Affairs*, 15(1), p.1–28.

Sweco (2010), *Regional governance in the context of globalisation: reviewing governance mechanisms & administrative costs. Administrative workload and costs for Member State public authorities of the implementation of ERDF and Cohesion Fund*

United Nations Development Programme (2011). "[Supporting Capacity Building the UNDP approach](#)", New York, UN.

United Nations, Economic and Social Council (2006), *Compendium of basic terminology in governance and public administration*, New York, UN.

University of Strathclyde – Glasgow (2010a), *Setting the Stage for the Reform of Cohesion Policy after 2013*, EoRPA Paper 10/5

University of Strathclyde – Glasgow (2010b), *Complementarity of Conflict? The Incoherence of Cohesion Policy*, EoRPA Paper 10/6