



Europa



# Business Support Programme

Phare Business Support Programme - SMECA

**European regional policies and structural assistance for the applicant countries**



Confederazione Nazionale *dell'Artigianato*  
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## **CHAPTER 1 THE EUROPEAN UNION AND THE COMMUNITY POLICIES FOR DEVELOPMENT**

### **Introduction**

Almost fifty years after the Schumann declaration one can look with a certain optimism at the historical process of European unification: integration has taken giant steps forward and the area of the states involved has been extended from the initial six founding members to the present fifteen. Over the last ten years this process has accelerated fast, involving many players, not only of an institutional nature. The Maastricht Treaty, signed on 7th February 1992, and the consequent birth of the European Union (EU), laid the foundations for strengthening the “process of creating an increasingly close union among the peoples of Europe”.

However, among the innovations introduced by the Treaty, the only ones that may be considered to have been substantially implemented are those concerning the economic integration process, which was completed by the constitution of the Economic and Monetary Union (EMU), finally sanctioned at the beginning of 1999 with the creation of the single currency (EURO) and the institution of the European Central Bank (ECB).

This economic and financial dynamism has not yet been corroborated with an equally vigorous action of political unification and today there is the risk of frustrating the results achieved. The political and institutional system which has been developing, is suffering from deep uncertainties and serious shortcomings, especially in delicate matters such as foreign policy and security, the new rights of European citizenship, the extension of Community competencies with regard to home affairs. These questions directly affect the prerogatives considered essential up to now to enforce the sovereignty of the individual states and which induce the latter to carry out an action of dogged resistance to the creation of a new, authoritative centre of supranational government.

Also in the light of the Treaty of Amsterdam, signed on 2nd October 1997 and which came into force on 1st May 1999, and of the agreement reached on 26th March 1999 at the Berlin summit on Agenda 2000, we will try to identify certain trends which prefigure the future development of the European Union in the direction of the objectives established since January 1995 by the European Commission: the strengthening of the Union and preparations for its enlargement.

### **1.1 The political and institutional scenario in the European Union**

The way in which the European institutions have developed in recent years has given rise to a complex and intricate system within which there is no clear definition of how the three powers traditionally underlying modern states are organised: legislative power, the judiciary and the executive. This leads to an institutional fragility and a dispersion of the decision-making process which have opened large gaps in what we could define, according to Habermas, an “authoritarian bureaucracy” which enforces its own power by means of an anomalous “principle of numbers and procedures”. The material constitution of Europe has “naturally” highlighted the abandonment of the illusion that had been part of the pro-European dream from after the second World War to the end of the nineteen-eighties.

The birth of the economic and monetary union has made the institutional organisation of Europe more complex and has created more space for bureaucratic intervention, adding urgency to the need for a reform aimed at constitutionalising and rationalising the EU: in other words, there is an urgent need for a political Union.

In this sense the Amsterdam Treaty has attempted to provide some answers, making two important changes to the institutional construction process, which involve the European Parliament (EP) and the role of the President of the Commission. In the new form the Strasbourg Assembly increases its own power in the process of appointing the President and the members of the Commission: its opinion is in fact binding. At the same time the executive power of the President of the Commission is increased by granting him the right of veto regarding the appointment of the

Commissioners and the obligation on the part of the Commission to act “according to its President’s political orientation”.

Therefore there is now a real hope of seeing the political reinforcement of Europe by means of a European parliament with new competences and new powers (the cooperation procedure, assent and co-decision procedures), able to take on the key role of legislator, and a Commission President who is no longer *primus inter pares* but who has similar functions to those of a chancellor.

Despite the progress made with the Treaty of Amsterdam, the institutional reforms are far from being completed: a solution still has to be found for, among others, the question of decision-making procedures (the weighted votes of the Member States, the delicate question of the qualified majority vote within the Council) and those of reforming the commission (reduction of the number of Commissioners, changes in working methods and internal organisation).

### **The common foreign and security policy.**

Another fundamentally important chapter for the construction of a political Union is that of common foreign and security policy (CFSP), the so-called second pillar of the Union, which accompanies the first, that of the European Communities, and the third pillar, cooperation in the fields of justice and home affairs.

The historical phase which began when the rule of the two great powers and the cold war ended, led Europe to take on a more incisive role in international relations. To do so it is indispensable to have uniformity of content and procedures for foreign and security policy, bearing in mind the different national interests. The question, already raised by the Maastricht Treaty, found weak answers in the Amsterdam Treaty, which merely made some practical adjustments and did not tackle many crucial points.

We are a long way from having started a solid integration process which still remains bound to a unanimous Council vote and to ratification by Member States. Thus the weakest point is that of common defence policy.

All the events in the Balkan area, until the most recent conflict over the Kosovo, have tragically shown the powerlessness and inefficiency of European Union intervention.

### **Justice and Home Affairs**

The creation of the third pillar of the Union indicated by the Maastricht Treaty, concerning the area of justice and home affairs, is equally fundamental for the construction of the political Union. Appreciable results have been achieved in recent years in the sphere of intergovernmental cooperation, although they are insufficient to promote the necessary integration process. The Amsterdam Treaty marks significant progress which substantially prefigures the “gradual construction of a European area of freedom, security and justice”. Obviously there are gaps: in the first place there has been only a partial changeover from the method of intergovernmental cooperation to the area subject to community procedures; moreover a five-year transition period is envisaged. Finally, democratic control over new policies, through the co-decision of the European Parliament, will continue to depend on the unanimous vote of the Council. These are serious limitations which nonetheless do not detract from the important change that was made with the inclusion within a common political objective of extremely delicate matters which propose the effective creation of an “area with no internal borders” and “people’s freedom of movement”. To this should be added that external frontier controls, immigration and asylum policy, and crime prevention, are by now considered as community rules and procedures. The significance of these advances can be measured also according to the contribution they will make to the process of building a common identity based on the enhancement and concretisation of the concept of European citizenship.

## **A Social Europe**

The need to review the community institutions, in close connection with the strengthening of the European social dimension, has become all the more urgent in view of the enlargement of the Union to include central and eastern European countries. In this sense, the Treaty of Amsterdam and the Commission Communication on reinforcement strategy and enlargement of the EU, called Agenda 2000 and approved on 26th March 1999 at the Council of Europe in Berlin, have not led to an effective quality leap.

EU policies have been strengthened and reformed, especially with regard to the Common Agricultural Policy (CAP) and economic and social cohesion, in view of a first enlargement which will include six candidate countries (Cyprus, Czech Republic, Estonia, Hungary, Poland and Slovenia) for whom admission is reasonably expected to be granted between 2001 and 2003. For another group of countries which once belonged to the communist bloc (Bulgaria, Romania, Latvia, Lithuania and Slovakia) admission will take longer. Moreover, a solution has not yet been found for the institutional problem of the composition of the Council and of the Commission of the future, enlarged Union, and above all the problem of the absence of a global strategy able to tackle the new challenges posed by enlargement as regards home and foreign affairs.

Encouraging signals have come however from the Treaty of Amsterdam and Agenda 2000 concerning the construction of a social Europe. Some important priorities for community policies have been established:

1. To create the conditions for sustainable growth and employment, able to fully exploit the potential deriving from the single market.
2. To develop "knowledge " policies, stimulating research and technological development in the Communities, raising the level of education and promoting training programmes.
3. To modernise employment systems
4. To improve the quality of life guaranteeing economic development in a more cohesive and integrated society, by improving public health, environmental protection and by introducing policies for the creation of areas of freedom, security and justice.

The reform of the Structural Funds is also an attempt to make the instruments conceived to safeguard economic and social cohesion more efficient, reducing the number of objectives from seven to three, and by simplifying and decentralising management. These three topics will be discussed in the appropriate chapters.

### **1.2 Social and economic cohesion in the European Union**

The idea that the European community should develop harmoniously in all of its regions has existed since the birth of the community institutions. The will to reduce disparities between the different regions and the backwardness of the less-favoured ones, is expressed in the preamble to the Treaty of Rome of 1957, while art. 2 of the Treaty establishes the community's tasks to promote "harmonious development of economic activities" and a continuous and balanced process of expansion of the Member States.

#### **The objective of economic and social cohesion**

Economic and social cohesion towards which Europe must strive as an indispensable complement to the internal market is a more recent objective, expressed only after 1987 with the Single European Act.

With the introduction of the objective of economic and social cohesion, in the mid-eighties the European community thus expressed the need to develop a new common policy, based on solidarity among Member States and the regions, on promoting a balanced and lasting

development, on reducing the structural gap between regions and States, stating the principle that all regions and therefore all citizens must be guaranteed equal opportunities for economic and social development.

The Maastricht Treaty establishing the European Union, which came into force on 1st November 1993, gave important qualification to the concept of economic and social cohesion as it was explicitly mentioned among the objectives and tasks of the Union to the extent that it was given the same importance as the fulfilment of economic and monetary union and the completion of the internal market.

Section XVI of the 1993 Treaty underlined furthermore that all community policies should bear cohesion in mind from the time of their formulation.

However neither the Single Act nor the Maastricht Treaty provided a definition of cohesion in order to concretely qualify the policies to be adopted in order to achieve it.

Some indications may be found in the White Paper on Growth, competitiveness and employment: challenges and directions to follow in approaching the 21st century presented by the President of the European Commission, Jacques Delors, in 1993. On the subject of cohesion, it pointed out that the reduction of disparities between Member States and regions should imply convergence in terms of basic income levels by means of a more sustained growth of the GDP, competitiveness and employment.

In the White Paper, the Commission stressed that cohesion should not be confused with uniformity, because the sole purpose of cohesion should be to achieve more equal economic and social opportunities. Apart from the qualifications of the concept of cohesion, in practice the European Union has clearly identified the economic variables used to concretely measure the disparities in development in the various regions in order to implement the cohesion policies. For the EU the quantity of wealth produced and the labour force employed to produce it are the basic indicators of the level of economic well-being of an area measured respectively by the GDP (Gross Domestic Product) and by the unemployment rate.

Apart from the economic variables, the Community has also taken care to stress the importance of the so-called indicators of social well-being. These consist in measuring the quality of the environment, health, level of education, crime rate, the quality of services and infrastructures, and the research and development capacity.

Finally therefore, in the version identified with the adoption of the Maastricht Treaty, subsequently sanctioned in the Amsterdam agreement in 1997, which came into force on 1st May 1999, economic and social cohesion is a process which aims at ensuring community solidarity with the less-favoured Countries, regions and sections of the population.

Cohesion must lead to a correction in the present imbalances (with regard to wages, welfare, infrastructure networks, quality, productivity, etc.), and accompany the establishment of a European employment market in favour of the categories more at risk (young people, social outcasts and long-term unemployed, workers who are victims of company restructuring, etc.).

The definitions given up to now help to define the meaning of the cohesion policies (which will be discussed in the following paragraphs), that is to say those policies aimed at reducing the gap between the different levels of development in the various regions and the backwardness of the less-favoured regions, which according to article 130B of the Treaty of Rome modified at Maastricht, see the Structural Funds as the principle means of action.

## **CHAPTER 2 AGENDA 2000 AND THE STRUCTURAL FUNDS**

### **2.1 The Structural Funds reform policy**

Conditions for sustainable economic development:  
growth, competitiveness and employment

The Structural Funds are a special instrument for reducing disparities and consequently for promoting growth and employment. The effects, in particular on employment, should be felt in the three principal fields of action (infrastructures, human resource development and support for the production sector): in the short term stimulating the demand for goods and services and in the long term improving the link between human and physical resources on the one hand, and the production environment and the labour market on the other.

However, national policies are limited. The Member States agree that at a regional and local level there is further potential for job creation. In this context the purpose of the Structural Funds is first of all to create the conditions to guarantee sustainable economic development through growth, competitiveness and employment. Only under these conditions will it be possible to fully achieve the fundamental objective of protecting and creating jobs.

Greater competitiveness, innovation and support for the development of the SMEs.

The Structural Funds must be used essentially for making major structural adjustments and reducing the disparities due above all to a lack of basic infrastructures (especially in the regions under objective 1), to a poorly qualified labour force and to a low level of innovative capacities, above all owing to a lack of development in research and technology. This leads to problems in terms of competitiveness and prevents businesses, in particular small and medium enterprises, from stimulating recovery. A reduction of the economic dependence on a very limited number of sectors, diversification of the economic fabric by creating and developing innovative SMEs, a capacity to adapt to new technologies and to changes in the production system as well as enhancing administrative capacity, will be fundamental elements for increasing competitiveness, which is the necessary condition for greater economic development and more employment.

#### **Employment: development of human resources**

The conclusions of a series of European councils have established a European framework which defines the investment priorities as regards employment and actions to promote human resource development. The European council in Amsterdam was decisive for the community employment policies. With the adoption of the new section on employment the Council acknowledged that this must be considered a question of common interest.

The new treaty has thus started a process which enables Member States to examine the employment situation every year and to adopt guidelines for the relative national policies. Employment will systematically be included in all community policies, in particular structural policies, which are a very efficient mechanism for achieving these objectives.

The structural Funds must intervene in favour of the four points of the European employment strategy (entrepreneurial spirit, fitness for work, adaptability and equal opportunities), which are the necessary condition for human resource development.

#### **The environment and sustainable growth**

The principle of sustainable growth and respect for the environment and the principle of including guarantees for environmental protection in the other policies have been sanctioned by the treaty on European Union and reaffirmed in the Treaty of Amsterdam.

Articles 1 and 2 of the general regulation dealing with the aims, means and tasks of the Structural Funds, refer to the implementation of these principles of the treaty in the actions undertaken by the Funds. Various other articles of the regulation help to enhance the contribution made by the Structural Funds towards achieving the objectives of sustainable growth and the protection and improvement of the environment.

## **Equal opportunities**

Confirming the commitment made in Madrid on equal opportunities, the new treaty of Amsterdam and the Council resolution exhorting the Commission and the Member States to commit themselves deeply, constantly and with determination to give substance to the principle of equal opportunities for women and men in the actions supported by the Structural Funds.

## **Definition of community guidelines**

To fulfil the aforementioned priorities, the new regulations contain specific measures relative to the preparation by the Commission of community guidelines for each objective of the structural Funds.

These guidelines are defined before the presentation of the plans by the Member States and before the intermediate review of the programmes, and are the general political framework for the preparation and modifications to the programmes of the Structural Funds.

## **Redefining the Commission's responsibilities**

The Commission's role in implementing the structural policies must be clear and well-defined.

Its main responsibility lies in guaranteeing that the results of the intervention of the structural funds contribute towards reducing the gap between levels of development. The Commission must furthermore ensure that the actions financed by the Funds are in conformity with the other provisions of the treaty and with community policy.

It is in this spirit that the Commission's political responsibility is clearly affirmed and focused on strategic planning, respect for community priorities and assessment of results by means of surveillance, evaluation and follow-up. On these points, joint management with the Member States is not allowed.

## **Increasing Member States' responsibilities**

The need for greater efficiency must lead to a clear preference for structural development priorities and community added value. The reference made at present to national or regional development priorities is not enough to ensure that community co-financing automatically produces clearly identifiable results.

Therefore it is necessary to guarantee greater efficacy of intervention, measured in terms of concrete results.

To this end the role of the partners which benefit from structural funds must be more clearly highlighted. The role of the States and regions in implementing the programmes must be confirmed by effective devolution; on the other hand they must be more answerable to the Commission as regards follow-up, assessment and evaluation of results.

Evaluation and follow-up thus become fundamental instruments of Structural Fund management.

## **2.2 General principles about the structural funds**

Formulating its proposals about the new structural funds for 2000-2006, the Commission maintained that "cohesion must be further increased", acknowledging that market forces and the entrepreneurial spirit are undoubtedly indispensable in order to grasp the new opportunities, but that at the same time "as a necessary complement, solidarity and mutual support are needed, not only for social reasons, but in order to create jobs and additional income, a necessary condition for competitive development and lasting growth". In its communication "Agenda 2000" the Commission thus proposes to confirm the political priority of economic and social cohesion, made

all the more urgent, for the purposes of reducing the gap between levels of development as stated in article 130B of the Treaty, by the prospect of the enlargement of the Community to include countries with lower levels of development.

With regard to the structural funds, the Commission's proposals include three fundamental aspects in the general context of budgetary discipline, in order to continue intervention in favour of regions or social groups in difficulty in the fifteen member states and to grant the candidate countries admission to the Union.

The first aspect involves maintaining financial solidarity at the level reached in 1999.

Secondly, confirmation of the commitment made by the European Council in Edinburgh (200 billion ECU - 1997 prices - for the 1993-1999 period, or 208 billion at 1999 prices), is the expression of the will for the Union to take part in the development and reconversion of the regions of the member states, bearing in mind the need to contribute to the national financial restructuring policies.

Thirdly, the mechanisms by which the structural funds will work after the reform must guarantee a better cost/benefit ratio, starting by defining the roles of the various agents of development and using simplification, evaluation and follow-up.

These orientations of the Commission, which were already present in Agenda 2000, have been made explicit in the draft of the new general regulation on structural funds adopted by the Council of the European Union on 21st June 1999, completed by regulations concerning the specific aspects of each Fund.

The proposed reform is based on three main points: greater control over aid, simplification and devolution, efficacy and follow-up.

### **Concentration of the objectives**

For the 2000-2006 period, the Commission has reduced from seven to three the priority objectives of the structural funds.

Objective 1 continues to promote the development of the more backward regions of the Union. The new regulation states that the list of regions which can be admitted to the objective must be established by the Commission on the basis of a strict application of the criterion of a per capita GDP lower than 75% of the EU average.

The regulation also establishes that this objective shall include all the extra-peripheral regions of the EU, and also the regions as present admissible to objective 6 (not applicable in Italy). In terms of financial concentration, objective 1 will benefit from approximately two thirds of the total aid from the Structural Funds, for a total of 135.9 billion euros.

The new objective 2 is aimed at promoting economic and social reconversion in the other areas with structural problems, including in particular the areas undergoing socio-economic change in the industrial and service sector, rural areas in decline, urban areas in difficulty and depressed areas which depend on fishing. The list of areas admissible to this objective will be drawn up by the Commission in close cooperation with the Member States and in consideration of their priorities.

The population admissible to the new Structural Fund objectives 1 and 2 should be between 35% and 40% of the total European Union population in 2006, while the present regional objectives (1,2,5b and 6) concern more than 60% of the EU population.

According to the new regulation, the new objective 3 should promote the adjustment and up-dating of education, training and employment policies and systems. This objective is based on the new Employment Section of the Treaty of Amsterdam, on the European employment strategy developed after the European Council in Essen and also on the relevant national action plans. The regulation also establishes that from a financial point of view this objective should be applied only outside the areas admitted to objectives 1 and 2, but will serve as a reference point for human resource development actions throughout the European Union.

In order to concentrate the intervention and to make it simpler, the regulation reduces the number of community initiatives from the previous 13, to 4.

The Commission assigns a specific aim to community initiatives, namely the creation of actions of common interest in the EU's priority fields of action by means of cooperation among the regions, Member States and socio-economic partners.

The community initiatives concern:

- cross-border, trans-national and interregional cooperation, aimed at incentivating the harmonious development of the whole area of the community (INTERREG);
- economic and social revitalisation of the cities and adjacent areas in crisis (URBAN);
- rural development (LEADER);
- fight against discrimination and inequalities in relation to the labour market (EQUAL).

Each initiative is funded by a single structural Fund: the FIGC for cross-frontier, transnational and interregional cooperation; the EAGGF - guidelines for regional development; the EDF for the fight against exclusion from the labour market. The regulation has earmarked 5.3% of the structural Fund's resources for these actions.

### **Simplification and devolution of responsibilities**

For the 2000 -2006 period, the new regulation will devolve the management of the Structural Funds and better define the roles of the parties involved: the Commission will be responsible for defining the community priorities and will act as guarantor to ensure that they are respected. The Member States will be responsible for managing the programmes by extending and consolidating the partnership.

For each priority objective the Commission will present the guidelines on community intervention priorities. The Member States will then present their development plans, drafted in cooperation with all the interested parties recognised by each State, including the agencies responsible for the environment or for equal opportunities between men and women.

After the negotiation and the agreement on joint funding the structural Funds, the Commission will adopt the programming documents (CSF and OP or SPD) which will be essentially reserved for strategic options (definition and financial endowment of the priority strategies).

The designated authorities in the Member States - the regulation required the designation of a single Authority to manage the programme. The supplementary planning aspects will be decided, and these will include defining who will be the beneficiaries and the financial endowment relative to the measures supported by the programmes of the Structural Funds.

With regard to payments, a lump-sum advance equal to 10% of the community contribution will be paid when the programme is adopted; the residual sum will be paid in instalments as a reimbursement for documented expenditures.

Simplification of operations will involve a clear distribution of responsibilities, and also guarantees a real consolidation of the partnership.

### **Consolidating and enlarging the partnership**

The principle of partnership was introduced in 1989 to guarantee the efficacy of the Funds. This system enables all operators interested in the preparation, implementation, surveillance and evaluation of community actions to take part. This participation must make it possible to assess the relevance of the strategy, the priorities and development measures and to give them more credibility by means of the agreement reached during the decision-making or the implementation.

Consolidating the partnership implies that the participation of the partners must be the norm throughout the financing process of the Funds, from the preparation of strategies to the ex-post evaluations of the actions.

Although remarkable progress has been made with regard to the participation of the regional authorities, especially in the Member States where the level of regionalisation is more limited, serious shortcomings are still encountered in the participation of the local authorities more directly involved and of the environmental authorities, and also as regards consultation of the

agencies which are more actively involved at the local level or which carry out actions supported by the Structural Funds, (social partners, local associations, non-governmental organisations...). Besides, some of these agencies work in spheres which are of primary interest for the Commission: employment, sustainable development, equal opportunities. The Commission explicitly requires the participation of these partners in the discussion phase which must be conducted at national, regional or local level for the activation of the Structural Funds.

The Member State must guarantee the participation of the regional and local authorities, environmental agencies and socio-economic partners, including the non-governmental organisations. The Member State will maintain its central role and guarantee that national institutional rules are respected. All the partners are promoters of projects or valuable consultants for the development of the socio-economic activities necessary for sustainable growth and employment.

### **Integrated strategic planning**

In order to fulfil the necessary economic efficacy of all the actions cofinanced by the Funds, all the development or reconversion actions must be included among the development strategies or priorities, otherwise there is a risk that the actions cofinanced by the Funds will be begun in a compartmentalised and disparate fashion, with serious consequences in terms of results and impact on development. Therefore it is proposed that thanks to the reduction in the number of community objectives and initiatives, community regional action should be included in a single regional programme at the appropriate local level, or at NUTS II level. At this level, all the Funds (ERDF, EDF, EAGGF and FIGC) should contribute in a consistent and synergetic way towards the creation of the objectives pursued. The integrated approach gradually introduced since the 1987 reform must be applied today more extensively and systematically.

### **The surveillance committee**

As in the past, the implementation of the planning is supervised by a surveillance committee, chaired by the management authority. Moreover to guarantee the widest possible partnership, all the partners are represented: local environmental authorities and socio-economic operators.

The surveillance committee will contribute more to the implementation of the action, above all agreeing to the completion of the planning proposed by the authority responsible for the programme before the latter sends it to the Commission and therefore approving any modifications; moreover, more frequently than in the past because too often associated with management, the committee will periodically deliberate the implementation of strategy guidelines and intervention priorities. It will then examine the programme evaluations so as to have full cognition of the facts in order to propose the adjustments made necessary by changing local situations and will approve the annual report prepared by the management authority before it is passed on to the Commission.

### **Development of financial engineering**

In Agenda 2000 the Commission has indicated that following certain criticisms, formulated in fact by the Court of Auditors, the multiplier effect of the structural resources must be increased by means of other forms of action besides subsidies. Greater financial efficacy will be pursued to better respond to economic requirements and to consider the profitability of the projects according to the net income normally expected, which will also enable cooperation with the EIB and the EIF to be increased. To this end three amendments will be made in the regulations :

- the general regulation states that during the implementation phase of the measures the Funds may participate in forms other than direct aid: refundable aid, interest-free loans, guarantee premiums, shareholdings etc.;

- the regulation also establishes greater modulation of the rates of aid, stipulating the specific provisions to be applied to infrastructures generating considerable income and to company investments. To promote recourse to private contributions to finance the projects subsidised by the Funds (public - private partnership) as much as possible, and for the purposes of transparency vis-à-vis the management authorities in the sphere of decentralised planning, rates of aid are to be reduced for these two categories of investment. As regards infrastructures, the “considerable income” could be approximately defined as net income equal to at least 25% of the total amount of the investment in question. The regulation moreover encourages the use of a quota of community aid in a form other than direct aid;
- as an exception to the general norm, the large projects which are now always present within the programmes will have to receive specific approval which will make it possible to assess ex-ante both their conformity with the objectives of the programme and community policy and their financial structure, including the most appropriate rate of aid, taking the expected income into due consideration, if necessary in consultation with the EIB.

### **Efficacy and follow-up**

In return for devolution the Commission establishes in the regulation that the management authority will draw up an annual report on each programme, containing clear information on the progress made. On the basis of a generalised application of evaluation in the Member States during the previous planning periods, the auxiliary role of evaluation in decisions about national and community contributions and their correct management is confirmed and increased. In order to fulfil its operational role, evaluation must be based on a clear sharing of responsibilities among the partners and will be carried out fully including ex ante evaluation for the preparation of the plans and for the quantification of the objectives to be reached, systematically making intermediate evaluations to complete the reprogramming and making ex post evaluations to get the best results out of the experience gained.

During the preparation of the plans, experience gained from the evaluations of the previous programming periods will contribute to spread best practice and to increase the socio-economic profitability of public expenditure.

Another key factor in determining greater efficacy is the Commission’s decision to set up an efficacy and efficiency reserve equal to 4% of the total endowment of the Funds, which will be assigned at mid term to the programmes which have achieved the best results on condition that the country involved respects the additionality criteria.

The regulation also stresses the responsibility of the Member States concerning control over financial management. In case of default by a Member State, the Commission can intervene and correct violations, irregularities or errors.

### **For further information:**

#### CHAPTER 1

##### 1. European Union

EU Website with links to the DG home pages: <http://www.europa.eu.int>  
 Official Gazette of the European Communities Series C and L:  
<http://europa.eu.int/eur-lex/it/oj/index.html>

2. Treaties (consolidated versions which include the modifications made to the Treaty of Amsterdam signed on 2nd October 1997)
3. Treaty on the European Union (PDF format) - Official Gazette C 340 10.11.1997, page 145-172: <http://europa.eu.int/eur-lex/it/treaties/index.html>
4. Treaty establishing the European Community (PDF) - Official Gazette C 340 10.11.1997 page 173-308: <http://europa.eu.int/eur-lex/it/treaties/index.html>

## Funding

Attachments: Cohesion fund - EIB (European Investment Bank) - Instrument for Structural Policies for pre-accession

### CHAPTER 2

1. European Commission, First report on economic and social cohesion:  
<http://www.inforegio.cec.eu.int/wbdoc/docoffic/official/repcoh/parts/>  
[http://www.inforegio.cec.eu.int/wbdoc/docoffic/official/repcoh/parts\\_part\\_it.htm](http://www.inforegio.cec.eu.int/wbdoc/docoffic/official/repcoh/parts_part_it.htm)
2. Agenda 2000, collection of documents:  
[http://www.europa.eu.int/comm/agenda2000/index\\_it.htm](http://www.europa.eu.int/comm/agenda2000/index_it.htm)  
[http://www.europa.eu.int/comm/agenda2000/index\\_it.htm](http://www.europa.eu.int/comm/agenda2000/index_it.htm)
3. Agenda 2000, a summary:  
[http://www.inforegio.cec.eu.int/wbdoc/docoffic/communic/agenda/ag2mo\\_it.htm](http://www.inforegio.cec.eu.int/wbdoc/docoffic/communic/agenda/ag2mo_it.htm)  
[www.inforegio.cec.eu.int/wbdoc/docoffic/communic/agenda/ag2mo\\_it.htm](http://www.inforegio.cec.eu.int/wbdoc/docoffic/communic/agenda/ag2mo_it.htm)
4. Regulations on the Structural Funds for 2000-2006:  
[http://www.europa.eu.int/comm/dg16/document//doc1g\\_it.htm](http://www.europa.eu.int/comm/dg16/document//doc1g_it.htm)  
[http://www.europa.eu.int/comm/dg16/document//doc1g\\_it.htm](http://www.europa.eu.int/comm/dg16/document//doc1g_it.htm)

Attachments: Regulations on the Structural Funds

## **CHAPTER 3 LOCAL DEVELOPMENT AND PLANNING**

### **Introduction: The reasons for local development**

In recent years attention has grown around local development processes. This has happened for at least three reasons: the first is empirical evidence; even in the less developed regions in our country there has been a growth in development areas based on small and medium enterprises able to compete on foreign markets and to generate endogenous growth processes similar to those in economically more developed areas.

The second is linked with the development policies for underprivileged areas. After some years of indetermination following the end of special intervention, development policies were directed with greater conviction towards the objective of economic and social cohesion at the local level. In particular through the instruments of negotiated planning, processes of aggregation at the local level of public and private players in order to identify development programmes and objectives.

The third is related with the community policy choices. In Europe with the implementation of the single currency and market which help to strengthen the advanced areas, greater attention has been given to policies aimed at increasing competitiveness of local systems in areas where growth is slower.

The increased interest in local development in the areas where growth is slow originated in the further-reaching transformations that have taken place in the economy and in society on an international scale, with particular reference to the globalisation processes. In the last decade there have been radical changes in international politics, there have been enormous technological advances, and economic and trade policies have also changed.

The new scenario before us considerably changes the situation concerning the opportunities and threats for territorial systems.

There are far more opportunities because this scenario offers a greater chance of inclusion in the main flows of goods, information and capital. Local economies can on the one hand increase their capacity to offer resources, skills and products which can reach distant markets thanks to the new technologies and the spread of the information society; and on the other hand their capacity to attract capital and resources in the search for good opportunities for investment and remuneration.

However, globalisation can lead to a rapid process of marginalisation of those local economies that are neither able to improve their specific supply of goods/services on the global market, nor are they able to attract from the global market the resources and capital which could benefit from the advantages available at the local level.

Nonetheless the territorial dimension of the competitive processes at the global level is emerging within the new framework of relations in which contemporary economies move: it will become easier to grasp the opportunities offered by globalisation and at the same time to limit the effects of the threats it poses only if a territorial strategy can be defined to enhance the value of local resources.

### **3.1 Development models**

Development issues in the last few decades have been read and interpreted according to models which, to use extremely simple terms, can be expressed according to the following dichotomy:

- an endogenous (self-centred) development model, based on the enhancement of local resources and guided by local public and private players (e.g. SME industrial districts)
- an exogenous (extraverted) development model, activated by a flow of external resources which deeply affect the local production and social structure, and with the decision-making and strategic centres outside the local area (e.g. industrial development estates).

The present scenario of the globalisation of competition processes probably makes it necessary to overcome this dichotomy, since as we have seen, the local systems are more competitive if they make the most of available resources, just as their competitiveness equally depends on the attraction, enhancement and remuneration capacity of both external and local investments.

Thus we have a new territorial development model, which belongs to a strictly local context and is nonetheless strongly interrelated with the global competition scenario.

### **3.2 What is local development?**

A first step towards defining a possible strategy lies in carefully examining the concept of “local development”.

We can define development as the process whereby important transformations in the economic and social structure take place, accompanied by an increase in per capita production.

With this definition, the concept of transformation includes a “dynamic” component of change over time that is inseparable from the very essence of development.

Moreover such transformations must be understood as referring to the production processes, to consumption models, to relations between social groups and the institutions, to relations with outside economies, to the series of activities conducted by single individuals and by social groups. This should be accompanied by an increase in goods and services available to the community, measurable in terms of product per capita.

Nonetheless it is important to stress that the preferred meaning of development and the one we find the most apt to define possible local development itineraries, is that which links quantitative growth of resources with the social changes that involve the individual and the group in processes which will improve the quality of life and the environmental context in which they live, marked by strong social cohesion.

In this perspective the different social partners identify their common good and on this basis they establish and reconstruct the set of rules which give effect to their community action.

This definition therefore encompasses and adopts the principles of sustainable growth and social cohesion since it is not limited to the still predominant quantitative interpretation of development, but incorporates the need to respect environmental and social restraints, those concerning renewable resources and also the principle of inclusion and participation in the benefits of development on the part of all the social partners, in particular the underprivileged ones.

Development is therefore a social process, only one of the main components of which is to be found in the economic sphere.

Local development occurs when the impact of the transformation processes on the local community acquires characteristics which are well-defined and sufficiently different from adjacent areas. That is to say, development occurs when it is possible to identify a “territory”, a “space” within which the changes take place.

### **3.3 Decentralised development planning**

The new approach to local development, based strongly on specific territorial needs, is also seen as the result of concerted action among the political and social forces aimed at fixing the priority strategies of territorial development. This conception requires a thorough knowledge both of the way in which integrated development plans are structured, and in particular of the legislative instruments which can be used to accelerate economic and social growth.

“Bottom up” development policies have changed the old logic of welfare action with programmes dictated by the Central or Regional Administration which the local level often had to accept.

At present the Administrations are expected to carry out a new role in support of territorial development which also requires them to provide professionals with adequate and specific skills in relation to local development, so as to effectively respond to the needs of economic and social growth in line with the expectations of the enterprises and the territory.

National and international competitiveness no longer concerns the enterprises alone, but spreads consistently to the territories. which moreover tend to differentiate more and more because of their sources of wealth and the structure and evolution of their economies and their employment situations, and because of the institutions and the relations existing between them.

Matters of work supply and demand are dealt with at the territorial level, where problems such as unemployment and exclusion become signs of imbalance. The territory is also the space in which to develop private initiatives, try new solutions, organise individual and community projects and implement sectorial public programmes.

If the political, social, economic, institutional organisations and associations have sufficient skills and resources at the territorial level, they can help to build complementary development projects and provide multidimensional solutions to complex individual and community problems. In this context, the CNA (National Confederation of Small Businesses and Handicrafts in Italy) has been present at discussions and has proposed territorial development policies at all levels: local, regional and national, paying particular attention to themes concerning handicrafts and small and medium enterprises. The instruments of negotiated planning have provided a further opportunity to consolidate forms of social partnership in order to define socio-economic policies.

Interactions between partners also make the projects more efficient: vocational training activities are better adapted to the needs of the local economy, net job losses are limited, the exercise of community control minimises the distortions created by excessive aid, substitution or unfair competition.

Devolution, and a fuller role in supporting local development on the part of the public authorities can therefore contribute to increasing the local organisations' margin for manoeuvre because they can test and then adopt integrated approaches based on specific territorial needs.

How is it possible to define development objectives and strategies? What steps should be taken to develop a project for improving local resources? How does one build a partnership with public and private players? We will try to answer these questions.

Investing in the qualification of human resources engaged in the territory has been one of the development objectives pursued by the CNA through its own training organisation. Using EU funds, specific research has been done on the features and competences of the "socio-economic trainer".

The aim of the project was to build the profiles of professionals combining the following skills:

- expert planner in training activities
- local development agent.

This composite figure has been temporarily defined as a "trainer in socio-economic development", or more concisely, "socio-economic trainer", indicating that this figure must be skilled in planning training activity and in planning socio-economic actions.

The characteristics that the socio-economic trainer should possess have been analysed according to the following process:

- The objectives of the training project
- The characteristics of the recipients
- Methods of selecting participants
- Organisation of the training project
- Intermediate assessment
- Creating awareness and advertising
- Project evaluation
- Certification of results

The training project is intended for those people who work in different (national, regional, local) territorial spheres, whose aims include those of creating a project in the area of vocational training and local development.

The professional skills of these figures are complex because being able to programme training activities requires skills and knowledge at the local level. They need the skills and capacity

to understand the territory from the point of view of local development; to strengthen the deepest rooted and most visible business processes and to work towards the creation of potential processes.

The entire process develops three main types of capacities:

- Capacity to defend the local and regional territory and the social relations present in that area from a national and EU perspective.
- Capacity to manage the processes of the training system according to a European viewpoint.
- Capacity to organise the various phases involved in planning training activities and labour policy in a given territory.

The objectives of the basic training serve to reinforce the three capacities mentioned above, by transmitting knowledge that can be organised in six areas:

1. Economics
2. Organisation of different European vocational training systems
3. European Union socio-economic development policies, paying particular attention to the SMEs and to local development
4. Socio-economic development policies and the role of Vocational Training, paying particular attention to the SMEs and local development
5. Action instruments (plans, guidelines, directives...) for local development policies
6. Planning and management of training activities in local development.

### **3.4 Identifying the strategy and objectives**

The reflection on ways of identifying an effective development strategy is linked to the role of the players present in the territory and to the contribution that each can give towards achieving the expected results by means of a correct use and a greater enhancement of the local resources available.

The experience of actions conducted in the past in a more or less organic way at the territorial level (starting from the actions in the sphere of the previous community fund programming actions, and also the implementation of initiatives and programmes resulting from opportunities directly provided at community level such as Leader, Recite, etc., as well as some recent applications connected with negotiated planning instruments) is particularly useful in underlining certain strategy variables/critical points which have a decisive role in promoting local development.

We should stress first of all the central importance of identifying clear objectives, so that they are immediately and univocally understood not only by those who have helped to draft the development plan but by the entire local community. This aspect also helps to make the contribution of each action towards achieving the declared and measurable objectives clear and transparent. It should also enable evaluations to be made during the programme and at the end of it, about the partial or complete achievement of the results and their quality not only in the short term, but also in the medium and long term concerning the definition of a local development strategy. The dispersion of the actions and the lack of finalisation compared with the local needs are some of the main factors which have led in the past to unsatisfactory results from the point of view of medium/long term effects. The CNA system is organised and disseminated throughout the national territory and is thus able to draw up intervention policies on the basis of a thorough knowledge of the local problems.

In the recent definition of the Development Plan for Southern Italy (PSM), in the context of the 2000-2006 programme for Italy, for example, it has become particularly important to identify the objectives to pursue, giving rise to an organisation of objectives in the hierarchical scale able: on the one hand to ensure that the objectives are consistent and that there are ties of causality among them, and on the other hand to measure at all times the efficacy of the actions undertaken.

The system of objectives has been structured on three levels from the top down, defined as follows:

- a global objective, identified within each intervention strategy and corresponding with the main aim which should be followed by means of a structured intervention system
- a specific objective, identified within the sector and based on the consideration that in order to pursue a global objective it is necessary to intervene in several specific sectors of activity (for example in the strategy for the enhancement of natural resources, the various sectors are identified as water, waste, protection of the soil and territory, energy production, while in the strategy for local development systems, the sectors correspond to the traditional sectors of economic activity such as industry, agriculture, trade and tourism)
- an operational objective, identified as a single measure which includes lines of action for each sector.

The system thus defined requires the operational objective to present a sure and quantifiable link with the specific objective, in its turn identified and adopted because it helps to contribute to reach the global objective.

The global objectives have a strategic and planning value, as they are the top down approach by means of which the strategy identified becomes an operational programme, and also the bottom up approach by means of which the many impulses of the sectorial policies converge towards reaching the overall growth objective.

The creation of hierarchies among the different levels of objectives ensures a close and efficient link between the single actions carried out at a micro-economic level and tends to ensure a positive and direct impact on the macro-economic objectives at a global and general level.

The following are examples of global objectives that contribute towards the definition of an intervention strategy at the local level:

- to foster growth, create new opportunities of sustainable development, preserve the long-term development potential and improve the quality of life of individuals, giving greater access to natural resources;
- to foster growth and create new development opportunities expanding the endowment, availability and quality of human resources; reduce unemployment levels, increase the labour market share and the introduction of informal work, helping in the process of regaining confidence in society and reducing social exclusion;
- to foster growth, create new business opportunities, improve the quality of life of individuals and trust in society, enhancing, protecting and providing more access to cultural resources;
- to foster growth by creating suitable economic conditions for business development, increasing competitiveness, productivity, social cooperation and cohesion at the local level; to promote the establishment of new business initiatives;
- to foster growth by creating economic, administrative and social conditions suitable for business development and establishing new initiatives in urban and metropolitan areas, especially services to persons and enterprises, increasing the competitiveness and structural productivity of the territorial economic system; to fight against social exclusion and promote processes for regaining social confidence;
- to allow growth by creating the appropriate conditions for business development and the establishment of new initiatives; to increase competitiveness and structural productivity of the territorial economic system; to promote the processes for regaining social confidence.

This set of objectives contributes towards the definition of a strategy for the development of the territory which enhances local resources (labour, natural and cultural resources), at the same time creates the conditions for this enhancement to be fruitful for private enterprise, and also for it to create the environmental conditions for these opportunities to be exploited to their best advantage also by attracting external resources and investments (tangible assets).

The global objective of growth and of increasing employment levels in a given territory may be reached through specific objectives/actions which have the aim of:

- supporting existing productive activity, consolidating development through innovation and adjustment to the changing national and international scenario;
- increasing and consolidating the process of exporting and internationalising businesses
- supporting a wider productive diversification in favour of growing specialisation in productions with a greater knowledge intensity (information technologies, microelectronics, biotechnologies, etc.);
- enabling new activities and businesses to start up;
- strengthening basic infrastructures and services to enterprises;
- enhancing the human capital in employment and in search of employment;
- strengthening the legal and safety conditions in support of a correct organisation of civil and economic life.

As can be seen the specific objectives/actions which can be pursued for the achievement of the global objective refer substantially to two main typologies which form local development policy:

intervention on the production factors supporting the levels of competitiveness of the enterprises and systems of enterprises in the light of the continuous and deep changes in the markets (support policies), and also by virtue of the obstacles and additional costs that the enterprises have to face following specific establishment in the less developed areas in Italy (compensatory policies);

intervention in the economic and social environment to reduce external diseconomies (infrastructures and services, location, environment, public administration, research and innovation, etc.) which weigh heavily on the smaller enterprises, promoting the development of exogenous activities and at the same time making them more attractive to outside investors (context policies).

Under the PSM (Development Plan for Southern Italy) for example, the global objective from which descends the identification cascade of specific and operational objectives and the relative actions (according to the scheme of priorities - sectors - lines of action - measures) to be pursued in 2000-2006 has been identified as follows: "to significantly reduce the economic and social backwardness of the south of Italy in a sustainable way, by increasing long-term competitiveness, creating conditions of full and free access to employment, and also protecting and enhancing environmental values and equal opportunities.

However strategy defining is all the more efficacious if:

- a) a rigorous model is followed, able to provide a definition of consistent global, specific and operational objectives, but that should above all be concretely achievable;
- b) it is done on the basis of a careful analysis of the needs and requirements of the territory.

When preparing local development programmes it is necessary to start from some basic principles which derive directly from trials made at a national and especially community level, thanks to the plentiful and structured experience gained in preparing development support programmes in the various European countries. These are:

to concentrate the objectives and lines of action identified, so as to avoid dispersion and concomitance of operational programmes which often overlap, and result in dilution and wasting of the financial resources available, reducing the real impact of the single actions. Concentrating also means making the experience and participation of several players at the territorial and extra-territorial level to converge on a small number of objectives and actions, thus increasing the chances of involving more talking partners and organisations so as to fully exploit the exchange of experience, knowledge and resources;

to integrate objectives and actions, promoting a coordinated and homogeneous approach to the different variables upon which one intends to intervene. Integration may concern the territorial dimension of the actions, so as to concentrate and link up several actions involving the same territorial context, or the different types of action in favour of a particular productive system.

Among the many actions which may be promoted, integration enables them to be prepared in the best way possible as regards the most deeply-felt needs, and at the same time to fix a scale of priorities according to the effects on the different predefined objectives;

devolution and the clear identification of the responsibilities of implementation, as a key element for the management of concentration and integration, as a direct expression of the application of the principle of subsidiarity, as an instrument to guarantee conditions of greater efficacy for actions with high territorial specificity of action, as a factor of further involvement and responsibility in relation to the results and resources to be used by the wider range of groups present in the territory;

possibility of checking results, according to the phase of evaluation or improvement of the actions to implement during the programme, and also the final evaluation of what has been achieved and its correspondence to the expected results. Possibility of checking involves the systematic application of financial, physical and procedural monitoring of the project, as an essential instrument for ensuring a continuous link between the forecasting and planning phase, and the phase of implementation and achievement of the results already obtained;

identification of the implementation times of the objectives and various actions, indispensable for the identification of the time frame within which the whole action must be concluded. Planning the timing of the actions is as important as financial planning, in that it becomes a decisive factor of support during the management and implementation phase of the actions.

These aspects are essential for the full achievement of the objectives, which must be considered from the initial planning phase of the strategy and the operative actions.

### **3.5 Territorial analysis as the basis for planning**

The identification of a development strategy at the local level must be preceded by and carried out on the basis of a careful analysis of the characteristics and needs of the territory, which takes into consideration the assessment of the internal strong and weak points, as well as the opportunities and threats deriving from the development of the external scenario (the so-called "SWOT analysis").

The aim of the analysis is to highlight the specific nature of the territory with respect to the variables under examination (such as for example the production system, environmental and cultural resources, infrastructures, the territorial systems as a whole, etc.), at the same time identifying the critical variables on which it is necessary to intervene in the first place because they have a decisive role in the socio-economic development of a specific territorial context. An analysis of the demand on the part of the players which will subsequently be the final recipients or beneficiaries of the action cannot be postponed until after the strategies and general objectives are defined, as frequently happens, nor can the results of previously conducted analyses be shown, unconnected with the territorial reference context and conducted at very different times from the period under examination. Even using different methods and instruments (statistical surveys, interviews with special witnesses, citizens' forums, the collection of existing documents, involvement of the business associations, etc.), the planning of actions in the sphere of training activities, industrial development, support for innovation, etc. must start with a careful analysis of present needs, preparatory to the phase in which priorities are given to the actions to be carried out and the strategy/mission to pursue is identified. The fixing of priorities is all the more important in that it enables a strategy to be chosen on the basis of the particular territorial context in which one is operating. It is done on the basis of different variables, the most frequent of which are: a) the effects of each type of need in relation to the overall development of the territory;

b) the financial resources available with the consequent need to maximise the results that can be obtained;

c) the many implications of the handling of the actions at an organisational and management level;

d) the interrelations that may be connected with the involvement of the outside resources/players which can contribute to making the overall implementation of the measures more complex or making it smoother instead;

e) the different implementation times expected in order to carry out the actions and achieve the objectives.

A preliminary action of analysing present needs and selecting areas in which to intervene is necessary in order to have a vision of the development and of the objectives to pursue. At the same time this appears to be the principal condition for the overall success of the actions, as well as for the organisation of instruments and initiatives which are strongly oriented towards achieving the desired results.

Often the results obtained are largely unsatisfactory in terms of concrete outcomes, not so much because of possible defaults in the implementation phase of the actions planned at the operational level, but rather owing to a lack of correspondence between the types of intervention planned and the characteristics of the phenomena for which the action is intended with the aim of promoting development.

If the analysis of needs and of the principal characteristics of the territorial context of reference is deficient or totally lacking, this will make it extremely difficult to identify a strategy and the relative operational programmes, threatening the overall efficacy of the actions to be undertaken.

Efficient planning of actions requires first of all the capacity to constantly monitor the evolution of the territory and of the socio-economic systems within it, so as to foster the continuous development of the specific and operational objectives, and also of the instruments and the actions implemented.

More recent experience unfortunately confirms, even in public institutions asked to plan local development policies, the lack of knowledge about the territory from the social, economic and productive point of view and also of the labour market, and of the needs in the training and education sector.

Thus the need arises to stress the central role of local knowledge as a prerequisite for a correct planning phase and to achieve a more far-reaching impact in terms of development and of income and employment growth.

### **3.6 Public and private players in local development**

The range of players involved is one of the keys to success of a local development plan. Some national experiences (such as for example those achieved under the Community Plan Leader II through the GAL), and the European experiences above all in connection with France, Germany and the United Kingdom, confirm that a correctly operating partnership that represents the public and private players working at a local level, has considerably facilitated the implementation of the actions and has helped to multiply the positive effects within the territory.

It is no coincidence that one of the fundamental requirements of the New Planning phase launched at the national level with the Development Plan for Southern Italy (PSM) and at the local level in the various regional planning documents (regional POR), together with the other aspects mentioned in the paragraph on "method", is partnership and concerted action, which begins at the planning stage when the strategy/objective to pursue is identified.

Certainly the establishment and continuous contribution to a partnership network at the local level takes time and requires mobilisation, awareness and information campaigns. This is all the more important, the greater are the obstacles in this direction, traditionally scattered over the southern areas of the country as a result of the lack of inclination to use the partnership instruments (multilateral concerted action) rather than the bilateral concerted action used directly with the public bodies which supply resources.

However the establishment of a local network of the most representative bodies (trade unions, entrepreneurs, local institutions, business associations, institutional representatives, cultural and environmental associations, etc.) gives many advantages which decidedly outweigh the present difficulties:

- defining strategy and planning of the shared objectives/actions both simply in planning terms and in terms of commitments and responsibilities;

- pursuing maximum levels of transparency in the decision-making process;
- promoting the maximum involvement of the population affected by the single actions;
- accentuating the results and multiplier effects consistent with the method and with the chosen objectives;
- succeeding in bringing about those cultural changes which often prove to be the most decisive in achieving results and which thanks to the greater involvement and mobilisation of the local community, can be more easily achieved;
- mobilising more financial resources than the amounts available for single actions, especially with regard to cooperation between public and private sectors and the implementation of single actions concerning project funding;
- increasing and further qualifying the planning capacity connected both with the preparation of the development plan, and with the identification of further proposals to support through further and additional opportunities.

In addition, in relation to the aforementioned advantages the principal benefit of the concerted action and partnership activity should be stressed, together with the capacity to increase the competitiveness of the territorial system as a whole, encouraging bodies and groups to join forces, and thus to reorganise the territorial system as a network which is able to link up with other networks in the fields of distribution, logistics, research and innovation, finance, etc.

If competition between territorial systems becomes one of the key factors of the new models of global competitiveness, one of the main requisites to support competitiveness of the territory at the national and international level will be the quality of the involvement of local players.

Promotion of local development appears in fact to be above all a problem of relations between players and of cooperation networks able to make and to attract investments, businesses and employment.

For many regions at the moment, the choice of concerted action and partnership is a decisive opportunity for accelerating the processes of adjustment of the local players to the new challenges and responsibilities connected with the present institutional and economic development, although they may lack a consolidated tradition in this respect.

The principal challenge for the southern regions of Italy is the change from the phase of merely representing interests to a new and more difficult phase in which proposals are made and responsibilities accepted with regard to making choices, which often includes managing the actions themselves. It is at the same time one of the most significant conditions for reversing the present trend and to raise development and employment levels. In the new scenario envisaged, the CNA has taken a new position which is not limited to simply representing interests or providing services, but as a body which identifies and develops intervention policies.

The creation of the PSMs and the relative regional PORs (Regional Operational Plans) has taken place, since the preliminary phase in which methods were identified and followed during the various planning phases, through the establishment of an institutional and socio-economic partnership which strongly represents local situations, and is at the same time "operative" as regards the capacity to propose hypotheses for strategy, objectives and actions it wishes to promote (therefore not just providing information as it did in the past).

The New Planning for the use of community funds for 2000-2006 has the aim of promoting the widest and most complete involvement of the social partners in all the regions of the Mezzogiorno (ie. the south of Italy), as an innovative and lasting method of work, beyond the preparation of planning documents for every phase, from the presentation of the programmes to the preparation of the selection criteria and the way to present a project - from funding to surveillance and evaluation of the actions. The CNA has taken an active part in drafting programme documents, both at the national and at the local level.

Arrangements between central and regional administrations and the local self-governing administrations become essential for the devolution of decision-making to lead effectively to concerted actions, thus laying down the conditions necessary for a more effective and direct contact with the needs and demands of the territory.

In putting the Community Regulation into effect and through operative and responsible participation in strategic decision-making, the activity of the economic and social partnership in its

turn makes it possible to select objectives on the basis of a better knowledge and representation of the needs and opportunities expressed by society and by the productive system, and to better guarantee and check that every action in the development plan effectively contributes to the general objective. In this sense the role of the CNA and of the other organisations has been decisive.

### **3.7 The role of partnership in the decision-making process for public spending.**

On the basis of the observation that the culture of concerted action and partnership is not built simply by proclamation, especially in areas traditionally unaccustomed to such procedures, but requires deep changes, above all cultural changes, concerning for example the overturning of traditional ways of representing the interests and demands of associations and groups, the local self-governing administrations find they have a particularly important role as the main acceleration factor in this development, based on a constant liaison with the other territorial bodies which are not yet fully aware of the importance of partnership in the promotion of local development.

The discussion phase which has begun in the various regions of southern Italy when the POR was being prepared, has highlighted the need for the local institutions to act as coordinators or “facilitators” in the initial phase of implementing the mechanisms of concerted action and partnership, starting from the definition of the organisational models and the operational responsibility models which will enable the desired results to be achieved.

Particularly in the initial phase of drafting and consolidating the mechanisms of the concerted action, a public body cannot limit itself to acting like any member of the partnership, but must clearly and with determination take on the total responsibility for activating the concerted action working groups, at least until the organisational and procedural methods, and above all the dissemination of practices and behaviour among the participants become consolidated and give rise to an independent and truly participatory model of concerted action on the part of all the participants.

It should furthermore be stressed that there is no single partnership model. Different situations correspond to different models. Nonetheless, some characteristics common to a large number of situations can contribute to the creation of new partnerships or to the evolution of those already in existence.

A characteristic of partnerships is integrated action, that is to say action based on the interdependence between several players. It is an important means of inducing the various players to commit themselves to the process of developing employment. In this specific case, multi-sectorial partnerships which require the cooperation of the public and private sectors and the associations, tend to be considered the norm in the framework of integrated territorial development. Nonetheless the preparation of a partnership or a pact must consider the concrete possibilities that the potential partners will be committed, in particular as regards their will or capacity to invest resources or make collegial decisions or partnership agreements.

However the indispensable condition for its success is to create and maintain close relations with all the partners.

All things considered, success also depends on whether there is a mutual advantage and an added value for each partner. The aim of the partnership is in fact to bring to completion an undertaking that none of the partners could have succeeded in carrying out individually in any other way. Thus an estimate of the contributions expected from each partner will have to be made, in particular in terms of time and resources. First of all there must be an evaluation of the measurable results pursued by the partnership and of the impact of its activities in the territory: the partners undertake to reach a common objective, within an agreed period of time.

There are a wide variety of partnerships. On the one hand there are those that act as forums, negotiating platforms that serve as places for discussion among people and organisms and which facilitate coordination and cooperation. Discussions are frequently informal or open, or they have an official statute and attempt to define common objectives and to establish a strategic framework.

On the other hand there are partnerships which have a proper executive function, with staff, financial resources and effective decision-making bodies. With this type of organisation it is

possible to carry out the actions directly or to manage a programme or a project. The partnerships often acquire a separate legal status, with their own statutes and well-defined rules.

Between these two extremes there are other possibilities. There can be more complex structures, involving partnership among the partnerships. This development became necessary to avoid overlapping and repetitions and to ensure complementarity of actions within a strategic framework.

Ideally the partnership should attempt to exploit the skills, resources and experience of each partner to their best advantage. Partnerships and pacts must have a solid, but flexible structure. The latter quality is required in order to react to developments in local needs. For this reason particular attention should be paid to the functioning and reinforcement of the partnership's decision-making processes for the entire duration of its existence.

There is a cycle of activities which is common to all partnerships. The cycle includes different tasks such as the identification of local needs, the definition and development of the project, the implementation of an action plan and of specific projects, monitoring and evaluation.

The implementation of an action plan and of individual projects gives rise to a complex series of activities: financial management, recourse to technical expertise and management skills to manage the projects, and networking and cooperation for the complementary actions. Some of these activities are performed individually by the partners, or other players specialised in training, business consultancy, etc. Other activities are grouped together and implemented by multiple-service agencies, including the partnership itself, if it has the necessary resources and skills to carry out the work. In any case the partnership plays a key role in the action plan, especially as regards financial management.

Normally the partnership also has an important role in the monitoring and global evaluation of the action plan. It is required to adopt a general and integrated viewpoint, and its efficacy is evaluated according to the long term effects produced throughout the territory involved, rather than the immediate results of its activity.

The conception and creation of a partnership therefore requires organising skills and specific competence on the part of the different players. Even if these initiatives gather together a wide range of skills and experience, it is frequently necessary to strengthen their collective capacities, for example by providing training in management, mediation or conflict solving.

It is often useful for the partnerships to be open to outside contacts: it enables them to develop relations with other similar bodies and to exchange experiences. When relations are established with other organisations indirectly involved upstream or downstream from their actions, their credibility is often reinforced, above all when it is a question of influencing policies or implementing very important programmes.

The benefits of the partnership must be evident to all the parties, including those who are not formally involved. These benefits will come in the form of a net added value, but must also make a tangible impact on the territory. It is task of the partnership to monitor and assess its own results according to the ambitions and objectives it has set for itself. The partnership is also responsible for adjusting them in consideration of the evolving internal and external situation. Flexibility is the long-term key to success of any work partnership.

In conclusion, this shows that the length of duration of a partnership depends on a combination of factors. The most important are without doubt the capacity to achieve the expected results, adaptability to changes in the environment, the ability to diversify their sources of income, access to resources and, above all, to maintain the support of all the parties involved.

### **3.8 Enhancement of territorial resources**

There are numerous local development resources, all of which are decisive in achieving the final objective: traditional assets (intangible) in terms of human, environmental, natural and cultural resources; tangible (local and otherwise) connected to the capital required to finance the projects and production investments, highly specialised human resources, enterprises.

Tangible and intangible assets are therefore part of the general endowment of a given territory at their disposal to raise the standard of competitiveness and development.

Traditionally speaking, the southern areas of the country have not dedicated their attention towards enhancing the intangible assets with the aim of obtaining more extensive and qualified tangible assets.

Most of the intangible assets have long been considered a weakness rather than a great opportunity for a fuller and more lasting development of the territory.

The improvement of intangible assets at an environmental and cultural level implies not considering the respective resources exclusively from the point of view of infrastructural intervention. Instead, they should be considered a vast area for the creation of new development opportunities, related to production and service activities, the requalification and rehabilitation of the territory, the dissemination of knowledge, skills and qualifications, and the creation of new and more qualified jobs.

Among the tangible assets, special attention is given to capital, especially capital able to increase a flow of public and private resources.

In view of the crisis caused by the public deficit and of a definitive conclusion of the special intervention, the need to locate and obtain financial resources for local development has increased the need for innovative financial solutions which must also take into consideration all the opportunities and instruments existing at a territorial and community level (from those of negotiated programming, examined in the chapter following those on community structural funds to the so-called "Boc" (ECSC's operating budget), etc.

The fact that central and decentralised public bodies cannot completely finance big, infrastructural investments, makes this need even more evident. Consequently, it puts more emphasis on the direct involvement of private initiative to the use of project financing also in Italy. This instrument makes it possible to reconcile the needs of the territory also in terms of the quality of services supplied and of benefiting from investments made by private players.

The alternative financial instruments that must be sought by the promoters of a local development plan are based on two fundamental principles:

- giving responsibility to the promoters for the use of the resources
- creating a direct relationship between the supplying authority and the users.

Indeed, the present scenario seems to be marked by a gradual reduction of State involvement in public expenditure due to a partial decentralisation of revenue which is causing an increase in the independent financing of local public authorities.

The fact that the local public administration does not detain capital which can directly be invested, does not affect the possibilities of success of a local development programme, as the role of the public body does not depend exclusively on making financial resources available. On the contrary, it proposes an increasing role in supplying experience and the mobilisation of resources (not only financial) of which the players involved are promoters, taking part in the concerted action and the development of the territory, for the implementation of the planned development programmes.

The resources which can be obtained through national public or community contributions must be monitored by local public bodies with the full awareness of the fact that they act as a fundamental means of attracting external resources from private individuals: hence the financial strategy becomes decisive for this aim, giving priority not so much to the application of techniques and instruments, but rather to an emphasis on a cost-effective relationship. This applies to all those cases in which the supply of certain services/investments to private individuals in exchange for a share in profits can lead to productive and infrastructural investments which could not otherwise be made.

Hence there is a need for the local authorities to develop a new financial culture aimed at increasing the importance of concerted action and partnership, also for the purpose of obtaining the public and private resources for launching the aforementioned actions.

The attraction of capital and financial resources to a given territory is very important for the promotion of local development, but at the same time it seems to be the result of already competitive levels of development compared with other national and international areas.

The development of policies promoting the productivity and increasing the potential of foreign economies (policies for specific contexts) are decisive for increasing the capacity of attracting foreign capital and investments, often more than initiatives and ‘territorial marketing’ programmes.

At the same time, it is essential to use methods of analysing investments in local development, able to contribute towards determining the actual returns of investment policies.

Apart from the specific differences, the methods of analysing investments are commonly based on the following phases:

- analysis of the territory and definition of the development plan (and relative infrastructural intervention)
- analysis of the economic impact of planned investments at a territorial level
- analysis of the impact of the costs to be funded on the planning authority’s budget
- singling out the most suitable financial instruments coming from public and private opportunities.

“The new objectives of the local development policies must therefore pursue the strategic aim of attracting and holding tangible assets in the area (by increasing their validity) by permanently enhancing the intangible assets in a framework of increased local government responsibility, through extensive decentralisation and subsidiarity”, as explicitly defined in the PSM.

Local development therefore depends on the combination and optimisation of tangible and intangible assets, the pooling of resources traditionally present on the territory with factors external to the continuous search for more convenient locations, not only from a merely financial standpoint.

The positive process of development through a ‘rich endowment of intangible assets, the greater attraction of tangible assets, a further growth in income and employment levels, a further revaluation of the existing intangible assets’, contrasts with the vicious circle of underdevelopment where the negative endowment of intangible assets ends up by further discouraging the flow of tangible assets, in its turn an element of further deterioration of the typical territorial resources.

Hence there is the need to direct the local development plans towards a fuller qualification and appreciation of the resources existing in the territory, with the aim of increasing the potential of attraction towards tangible assets and of increasing its impact on the expansion of the productive base and of local employment.

### **3.9 Instruments of Negotiated Planning**

The first strategic point of development of the less developed areas, controlled by the Treasury, Budget and Economic Planning Ministry, concerns the promotion of local systems through the cooperation of enterprises, local authorities, industrial and employment associations, banks, foundations, to reach two goals:

1. Obtaining integrated productive, infrastructural and service investments
2. Negotiating agreements - employment, credit, supplies - guarantees to favour development.

The importance and potential of this strategy plan derive from three factors:

1. Economic: both the consolidation of industrial know-how and services already existing in specific areas of the territory and the success of direct investments, coming from outside, require not only the public funds necessary to overcome existing negative external factors (in service networks, safety measures, etc.) but also a high degree of cooperation with the economic political and social forces of the settlement areas;
2. Institutional: a strong spur towards the renewal of the local ruling class can come from a new electoral system and the direct election of mayors;

3. Social: the growth of a stronger fabric of active, local associations can be observed for the protection of cultural, environmental and civil interests in the area.

The implementation of the strategy plan concerning local systems can now have at its disposal three instruments for a negotiated planning:

- the programme contract, aimed at promoting direct investments, able to stimulate development in a given period;
- the territorial pact and the general contract, aimed at promoting integrated investments and an agreement among numerous local players to consolidate and trigger off local productive systems.

### **Negotiated Planning**

Negotiated planning is the form of concerted action and agreed regulation between public players at various institutional levels and one or more authorised public players and the parties involved to implement established measures. These measures must include different interventions, giving priority to specific development objectives.

It is implemented through a variety of specific instruments which differ according to the parties involved, objectives pursued, institutional levels of control and regulation.

### **Programme Contract**

This implies the contract stipulated between the competent state administration, large enterprises, medium and small enterprise consortia and delegations of industrial districts for the implementation of actions subject to negotiated planning.

The programme contract is a very powerful instrument through which the central Administration can promote, through the distribution of capital without security, the direct investment in depressed areas by large enterprises and medium and small enterprise consortia in industrial districts.

### **Territorial Pact**

Among the numerous definitions used for territorial pacts the following should be mentioned:

An agreement, in order to coordinate implementation between public and private players, to single out actions of different kinds, directed towards the promotion of local development in the depressed areas of the national territory, in line with the objectives and policies outlined in the community support project, approved by the EU (C(94) 1835 of 29.7.94) Commission;

Means of uniting the specific interests within a policy of public utility and development of the territory, able to highlight the typical vocations. It must attract local skills by making the most of people specialised in scientific and technological innovation;

The pact promoted by the local bodies, social partners, or other public or private players, relative to the implementation of an action plan aimed at the promotion of local development;

An instrument to establish a coordinated series of productive or promotional interventions, including relative infrastructures, to be financed with public funds.

### **Area Contract**

This implies the operational instrument, agreed upon between administrations, also local administrations, representatives of unions and employers, and other players involved, for carrying out actions aimed at accelerating the development and creation of new jobs in limited territories within the depressed areas, indicated by the Prime Minister, on the proposal of the Budget Minister and the Minister for Economic Planning and after hearing the opinion of the competent

parliamentary Commissions and those responsible for the industrial development areas and industrialisation centres situated in the territories under objective 1 of EEC Regulation no. 2052/88, as well as the industrialised areas that meet the requirements of a more rapid investment implementation in areas equipped with facilities and private resources or resources coming from regulated intervention.

Both these instruments are aimed at obtaining a coordinated action by groups of local players: the pact lays the stress on integrated industrial and infrastructural investments; the area contract concentrates on agreements for special conditions in employment and credit contracts and in social security guarantees for areas where there is severe unemployment.

### **Institutional Programme Agreement**

It is an agreement between the central or regional administration or with the autonomous provinces with whom these players promised to collaborate on the basis on a planned examination of the available financial resources, of the players involved and the necessary administrative procedures, for the implementation of a long-term plan for actions of mutual interest or functionally connected actions.

It defines the agreement between the institutional players at various territorial levels, competent to intervene in a given sector to define the commitment to collaborate through the mutual financing of a series of actions, functionally connected and included in a long-term plan, although not generally defined in terms of feasibility.

### **Framework Programme Agreement**

It is an agreement with local bodies and other public and private players, promoted by the central, regional or autonomous provincial administration, on the application of an institutional programme agreement for defining an executive plan for actions of mutual interest or functionally connected actions.

### **Requisites for introducing negotiated planning**

They are essential requisites for the implementation of initiatives of development programmes based on the instruments of negotiated planning; they can be summed up as follows:  
fundamental idea: a socio-economic analysis and the selection of priority points of territorial development;  
entrepreneurial skills: a system of enterprises able to invest in the principle sectors of development;  
integrated groups of projects: investment projects that are integrated with each other and consistent with the development objectives;  
rapid implementation and limited dimensions: rapid conclusion of works and sound investment projects that must have limited economic dimensions;  
local concerted action: the setting up of a discussion centre, where the main players in local development (local administrations, union representatives, entrepreneurial associations, credit institutions) can agree upon and define the priority strategies.

### **Crucial problems**

Among the crucial problems which frequently slacken (or even block) the process of concerted action on a plan of local development, the following can be mentioned:

- competition between local bodies and social forces
- competition between major and minor players of the representatives of social forces
- mediation between the specific interests of parties in the coordination of the pact
- political differences/parochialism
- different vocations and aims of the territories

different productive structure  
different economic interests of the social partners  
difficulty in achieving concerted action between the social partners

### **Main players involved**

All the negotiated planning instruments (programme contract, territorial pacts and area contracts) require some players for concerted action on the development objectives for a given territory, maintaining the productive skills and specific qualities.

Notably, the categories of the so-called social forces involved are the following:

- Municipal administrations and local public authorities
- Entrepreneurial and professional associations
- Trade Unions
- Credit and financial institutions: the partnership which agrees on and defines the strategic development points of a territory is based on these players who have a key role in the development.

## **CHAPTER 4 PLANNING IN ITALY 2000-2006**

The new economic planning for the use of community resources in Italy 2000-2006, took place in conformity with what has been described in the preceding chapters.. It was introduced by the Department of Development and Cohesion Policies of the Treasury in Catania in December 1998. Already on that occasion, the first guidelines presenting the general plan were introduced. For this purpose, a system of national and regional sectorial work groups was established to define temporary relations. The activity of these work groups for a national and regional concerted action was controlled by a National Committee. This action enabled a constant exchange of information on the main problems and facilitated a more homogenous approach.

The system of sectorial work groups enabled the implementation of a fully concerted action between the different levels of government involved in the action of structural funds and made it possible to acquire information, guidelines and requests of the social partners and associations defending environmental interests, equal opportunities and the third sector. Moreover, in order to guarantee correct planning, permanent headquarters were established with the participation of the social partners.

The principles forming the basis of the entire project are: concerted action, institutional and social partnership, integration, giving responsibility to local administrations and creating the possibility of assessing the results.

The main innovative aspects of the Plan were:

- A high degree of regionalization of actions.
- Great importance was given to the financial aspects for intervention on natural and cultural resources, security and material and immaterial networks.
- Great attention was paid to the environmental capacity of sustaining development, to equal opportunities between men and women, to social inclusion and to opening the area to international contacts.
- Extreme importance was given to the evaluation (before, during and after) and monitoring of actions. The aim was monitor the coherence between the established objectives and the eventual results and/or those obtained by the actions.

Planning for the South was directed so that the actions could influence the breakdown variables, able to induce the necessary discontinuity in the growth model.

The breakdown variables were singled out on the basis of a socio-economic analysis of the territory which highlighted the main starting points for the internal development of the local economy. These variables take on the role of intermediary objectives and have the dual task of guiding the strategic choices in a suitable way. Each breakdown variable corresponds to a statistic indicator able to quantify the movements of the variables following planned intervention.

In this way, each project or plan of action must indicate the breakdown variable which it influences and the quantification of the desired result. Besides, a preceding verification of the projects should facilitate a first assessment of the actual correspondence between the territorial initiatives and the breakdown objectives. Obviously, with integration in mind, priority will be given to those projects which aim at a series of intersectorial, interconnected actions which converge towards the fulfilment of a common objective for the development of the territory.

The economic planning for the use of the Structural Funds' community resources, on the basis of the guidelines presented in Agenda 2000, has led to the definition of important national and regional planning documents.

The Development Plan for Southern Italy (PSM), which gave rise to the definition of the Community Support Framework at a national level, is the result of an intense national concerted action and coordination, carried out by the central, regional and local Administrations. Together with the contribution of ideas, proposals and observations presented by the economic and social partners, these Administrations outlined the plan and distribution of the resources which will be destined to the regions under Objective 1 (Campania, Apulia, Basilicata, Calabria, Sicily, Sardinia and Molise) over the next six years.

The general objective of the PSM is to obtain a growth rate of the GDP (Gross Domestic Product), much higher than the average in the EU from 2004 thanks to an increase in regular employment and a marked recovery from socio-economic malaise in many parts of the country. This general objective will be implemented through a strategy based on six main action plans whose global objectives are the following:

#### **Plan I            Natural Resources**

The general objective is the creation of efficient service networks, new opportunities for growth and sustainable development by removing the situation of environmental emergency; rationalising the use and availability of natural resources, paying special attention to the protection of coastal areas, to the control of the territory starting from mountain areas, also through the specific support of agricultural activities; maintaining the possibility of long-term development and improving living standards.

#### **Plan II            Cultural Resources**

Establishing the conditions for new business opportunities in the field of culture and cultural activities, enhancing, safeguarding and extending the enjoyment of cultural resources, improving social well being.

#### **Plan III           Human Resources**

Encouraging new development opportunities by increasing the endowment, supply and quality of human resources, reducing joblessness and creating informal activities through the improvement of a general participation in the job market and supporting female resources; developing the technological and scientific contents of production in the South and increasing the range of skills and its links with the southern entrepreneurial system.

#### **Plan IV           Local Development Systems**

Creating economic conditions for business development and production growth; increasing competition, productivity, cohesion and social cooperation in concentrated areas in the territory, by reinforcing production, especially in agriculture, and improving other aspects of rural development, also through technological innovation; promoting the rise of new entrepreneurial initiatives, including those in the field of tourism, and the emergence of enterprises from the black economy.

#### **Plan V            Towns**

Promoting the creation of new initiatives in urban and metropolitan areas, especially services to the inhabitants and enterprises; creating economic, administrative and social conditions for entrepreneurial development; increasing the competition and the structural productivity of territorial economic systems; reducing social exclusion and promoting processes to regain social confidence, also by means of actions aimed at improving the urban context.

#### **Plan VI           Networks and service centres**

Increasing the competitiveness and the structural productivity of territorial economic systems; creating suitable conditions for entrepreneurial development and new initiatives; promoting the processes for the recovery of social confidence.

The guidelines in the PSM were accepted and included by the regional Administration in seven Regional Operational Programmes, divided according to the same Strategies of intervention and general objectives included in the PSM.

Besides the Regional Operational Programmes (ROP), six National Operational Programmes were drawn up. The latter refer to national intervention guidelines and a Plan of technical Assistance as follows:

- Scientific, technological and intensive training research
- Education
- Security for development
- Incentives to industry
- Transport
- Fishing
- Technical assistance

Each of these documents (PSM, ROP, NOP) is accompanied by a document of assessment which was drawn up in advance.

In September 1999, the Regional and National Operational plans were sent to Brussels for negotiation. The plans were finally adopted between July and September 2000. The next stage, in some cases at the same time as the approval of the plans, consisted in the drawing up of the planning supplements, the documents for the implementation of the programme. They are an integral part of the programme, implementing the measures that the Commission has established in the decision to adopt the priority strategies.