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***The localist turn in EU Regional Policy  
viewed from a Tuscan Perspective***

**Milo Fiasconaro**

**A thesis submitted for the degree of  
Master of Arts**

**Department of Geography  
University of Durham**

**May 2010**

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## ABSTRACT

At a time in which European governments and senior officials are striving to find an agreement on the grand objectives for the new Lisbon strategy, scant attention has been dedicated so far to main economic policy of the European Union: the Regional Policy. The present work critically investigates the rationales and the intervention tools which shape the EU's flagship policy, with a view to shedding light on the transformations which have lately affected the politics of local development in Europe.

The analysis will focus on the thematic and pragmatic relationship which links together Regional Policy and new regionalist theorisations. It will highlight how, by embracing an endogenous and punctuated definition of development, the Regional Policy has fashioned an institutional framework in which regions are enrolled as self-contained action units, and are expected to compete against each other to secure their economic prosperity.

Drawing on relational perspectives, I will contend that this approach is doubly problematic. From a substantive point of view, it leads to a prioritisation of local links, which fails to recognise the multifaceted spatialities characterising modern economic relations. In procedural terms, the institutional mechanisms involved in the Regional Policy encourage a "regional centralism" which, in the name of EU funds, compresses dissent and "technicalises" political choices.

These arguments will be empirically scrutinized through a study of the innovation policy implemented in Tuscany under the Structural Funds. Methodologically, the inquiry has a bi-focal nature: on the one hand, I will rely on official evaluation reports to assess the effectiveness of new regionalist policy schemes; on the other hand, I will reconstruct regional governance dynamics, by tracing how a certain policy concept (innovation networks) has been adopted by the EU, translated at the local level, and finally consolidated in a set of institutional relations, expectations and power asymmetries.

The heuristic hypothesis is that only by combining the two research levels it will be possible to grasp the direction and the significance of the political project pursued by the European Commission through the Regional Policy.



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Finally, I owe a long-lasting debt of gratitude to my partner, Allegra, for her obstinate support and unwavering patience.



“One would have to be too ‘simple’ to believe that  
thought is a simple act, clear unto itself [...]  
The force of paradoxes is that they are not contradictory;  
they rather allow us to be present at the genesis of the contradiction”  
G. Deleuze, 1990, *The logic of sense*

“A good example of such a [paradoxical] message is  
‘Be spontaneous!’ - i.e., the demand for behaviour which  
by its very nature can only be spontaneous,  
but cannot be spontaneous as a result of having being requested”  
P. Watzlawick, J. H. Weakland and R. Fish (1974), *Change. Principles of problem formation  
and problem resolution*



## INTRODUCTION: THE EU COHESION POLICY BETWEEN THEMATIC AND PROCEDURAL ASPECTS

The European Union is going through a crucial passage of its political history. The new *Lisbon Treaty*, which re-designs the EU's competences along with the power balances among EU institutions, came finally into force last December, following almost ten years of wearing negotiations and rejections by national referenda. A new Commission will soon take up office in the reformed institutional environment, and heated debates are already taking place in diverse policy areas.

One of the most important matters under consideration is probably represented by the so-called *Agenda Europe 2020*, that is, the new EU's development approach which should set the economic priorities for the next decade, thus replacing the Lisbon strategy, which has been as ambitious as it has proved to be unsuccessful. The Commission has recently released a *Consultation Document* on this issue (CEC 2009), which mixes traditional dogmas (the knowledge economy) with new fashionable keywords (green economy). However, to be effective, the discussion on the *grand* objectives of the future agenda ought to include a parallel reflection on the tools which will be employed to realise it. In this sense, whatever the content of the new strategy will be, these will surely have to find an operational synthesis with the intervention devices and institutional structures which characterise the main EU's economic policy: the Cohesion Policy.

Indeed, over recent years the EU's Cohesion Policy (CP) has considerably strengthened its political significance, and now it constitutes an essential element of the political-economic "landscape" in Europe. What follows is non-exhaustive list of events highlighting this trend.

With the new programming period (2007-2013), CP has become the most important EU policy in financial terms, surpassing agriculture as the largest area of expenditure. Among scholars and policy-makers, there is widespread agreement that CP has accelerated the regionalisation process in Europe, acting as a driver for the development of regional structures for policy planning and implementation. In many EU Countries, the Structural Funds (SF) represent the main, if not the only, resource to tackle the spatial manifestations of socio-economic inequalities. There is evidence that, across Europe, development agencies at whatever scale are increasingly conforming and synchronizing their programming tools to those of CP. Following the last reform, CP has become spatially more pervasive, as its coverage has been extended to almost the totality of the EU territory.

It is therefore of crucial interest exploring which principles and mechanisms underpin the CP, and what processes such a policy is likely to foster or hamper: this will be the focus of the present research work. However, it is important to make clear here that questioning the direction of the CP is an exercise which differs from or - better - crosses with the issue of the policy impact. While in the latter case attention falls on the effectiveness of the relation

between means and ends, in the former it is the “navigation chart”, and how this is concretely interpreted by the crew, which are under scrutiny. In other words, my attention will concentrate on *the* “object” of the policy: which theories have determined its choice and shaped its conceptualization; which set of actors and which kind of relations are prioritised, which arrangements and technical equipment have been envisaged to *realise* - in its widest meaning - such an object(ive).

Clearly, this line of inquiry is not indifferent to the results of evaluation; on the contrary, evaluation represents an important heuristic resource, though not the only one. Nevertheless, it is important to distinguish the two analytical levels, as they respond to different research interests and they entail different theoretical and methodological problems<sup>1</sup>.

The necessity of opening up a specific debate on the *raison d'être* of the CP, as distinct from the one on evaluation-related issues, has been recognised by the European Commission itself, which launched a public consultation on the meaning of territorial cohesion in Autumn 2008. For that occasion, the Commission also issued a *Green Paper on Territorial Cohesion* (CEC 2008b), serving as discussion document.

The consultation closed last February and the Commission is now elaborating the 388 official contributions received from various public organisations and institutions. A seminar is going to be held soon in Brussels to take stock of all these inputs. In sum, the debate is still open, and it is probably too early to draw conclusions on which will be the future shape of the CP. What can be said straightaway is that, via the *Green Paper*, the Commission has expressed the (at least formal) will to question the founding concepts and the policy-design mechanisms of its flagship policy. Indeed, the *Paper* closes with some significant “debate questions”:

“What is the most appropriate definition of territorial cohesion? [...] Is there a role for the EU in promoting territorial cohesion? [...] Which sectoral policies should give more consideration to their territorial impact when being designed? [...] Does the pursuit of territorial cohesion require the participation of new actors in policymaking, such as

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<sup>1</sup> Without aspiring to do justice to a rich debate, it is nonetheless important to mention here that assessing the impact of the Cohesion Policy is an extremely complex matter. So far, research has not come to clear-cut results: studies pointing at the successful outcomes achieved by the Cohesion Policy in reducing territorial unbalances (Cappelen *et al.* 2003) are questioned by studies which find that there has not been any substantial impact (Dall'Erba and Le Gallo 2007). In between, there are scholars who identified mixed effects. Difficulties are both theoretical and methodological, and refer essentially to the capability (for some authors even the epistemological possibility (Stame 2004)) to distinguish precisely causes from effects and from feedbacks for programmes which have such a wide spatial, temporal, and substantive extension. Leonardi, for example, notwithstanding an overall enthusiastic evaluation of the Cohesion Policy, recognizes that different statistical analyses leave undecided “whether Cohesion policy by itself accounts for the bulk or only a minor part of the growth produced” (Leonardi 2006, p. 158). In a recent review of different evaluation exercises outcomes, Bachtler and Wren (2006, p. 150, emphasis added) conclude that: “in many respects the evaluation of EU Cohesion policy is at a watershed. Over the past 18 years, an extensive evaluation regime has been constructed to account for spending on Structural and Cohesion Funds, to assess the economy, effectiveness and efficiency of the policy, and to support the planning, management and delivery of programmes. This has been supported by extensive investment in evaluation methods, the promotion of ‘good practice’ and the progressive creation of an ‘evaluation culture’ in most Member States. Notwithstanding this activity, the results of evaluation *are not conclusive on the impact of Cohesion policy*”.

representatives of the social economy, local stakeholders, voluntary organisations and NGOs?" (*Ibid.*, pp. 12-13).

However, it is impossible not to notice a sort of mismatch between the object of previous questions and the general content of the document. In fact, it is stated that "the questions cover the main issues described in this Green Paper" (*Ibid.*, p. 12), but no mention is made, throughout the document, of what kind of policy actors, political priorities, institutional relations, and procedural arrangements, that is, of what kind of politics of development should underpin the formulation and implementation of cohesion policies in Europe. Instead, the *Paper* dwells mostly on a discussion of the new geographies of development and their typical manifestations (urban creative environment, high-tech clusters, etc.). In other words, while the closing questions involve the sense and the scope of the CP, the main body of the document just concentrates on providing an updated and sophisticated reading of spatial-economic dynamics.

How to explain this apparent contradiction? The problem does not concern what the new approach proposes (which is still, as we have seen, "up for discussion"); rather it lies in what is missing<sup>2</sup>. In this research work, I will claim that not only is this omission not accidental, but it is very meaningful indeed, because it can disclose some problematic features involving the overall framework of the CP.

More precisely, the main hypothesis explored throughout this inquiry is that the present CP's approach is affected by an important distortion: some decisive regional governance issues - namely who and how should participate in the policy-making and -delivery of development policies - are excluded from the local political confrontation, since they are surreptitiously determined at EU level by the institutional mechanisms which regulate the CP. Apart from the ensuing power imbalances between institutional levels, such a displacement is particularly grave because it makes it hard to identify who is politically responsible for a certain course of action; consequently, it becomes also harder to understand who and how could improve a policy strategy, when this proves to be ineffective. What is more, far from being fortuitous, this potential pitfall is directly implied in the very conceptual groundings which shape the whole Policy.

In other words, my intention is to show that, as a result of its underlying rationales, the CP's institutional architecture produces a deformation of the politics of local development, since it detaches the policy-delivery - which remains regionalised - from the decision process, which is instead dislocated in a political "no man's land". It follows that, in order to

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<sup>2</sup> The relation between the political finalities of the Cohesion Policy and the governance model underpinning its realisation is, on the contrary, thoroughly analysed in a independent report, prepared on the former Commissioner's demand by Fabrizio Barca. The contents of the report - which benefited from the contributions of a large number of experts and academics throughout Europe - will be considered later on. However, I have decided not to include the analysis of the report in the discussion of the Commission's approach, since the positions expressed in the report have not been officially adopted by the EU Institutions so far.



comprehend some effects and processes triggered by the Policy, the analysis of its content cannot be separated from the investigation of the procedural features which its effective implementation hinges upon. In particular, I will argue that the two dimensions - substantive and procedural - have to be considered together, as one involves the other: they are two sides of the same coin, where the coin is constituted by the relation between a particular spatial conception, and the politics of place this conception implies.

To frame these arguments empirically, we have to observe how, during previous programming periods, the European Commission put significant resources to modifying the governance configurations of regions benefitting from Structural Funds. However this institutional change was functional to meet the competitiveness and innovation objectives set at the European level. My contention is thus that such a subordination or “functionalisation” of the “governance dimension” to the normative content of the Policy is doubly problematic. First, it is self-contradictory, as it clashes with the over-emphasised claim for bottom-up strategies. Second, and possibly even more importantly, this approach tends to obliterate the always political, and hence contextual, origin of collective objectives, by transforming them and their achievement in a mere technicality. That, again, limits the possibility of promoting really locally-sensitive policies, as it necessarily supports or compresses some needs instead of others, without this being the result of a comprehensive debate.

Such tensions lie at the core of the CP strategy, as they affect the way in which the Policy is routinely implemented. For this reason, I will argue that only by unfolding the outlined contradictions, that is, only by looking at how the Policy is concretely performed, it will be possible to understand some evident shortcomings.

Drawing on this discussion framework, the present research work is organised as follows.

The first chapter engages in recent regional studies literature. Indeed, academic debate in this field is unanimous in recognising the influence exerted by the so-called new regionalist approaches on many aspects of the CP.

In the initial part of the chapter I will thus outline the theoretical building-blocks of new regionalism. In particular, I will try to reconstruct that line of reasoning which, beginning with a territorialised and endogenous definition of development, leads to conceiving of regions as coherent action units which compete against each other “in the global space” on the basis of their consensual governance configuration. Subsequently, I will delineate the political vision that this conception substantiates, by analysing some related policy models.

However, I will also consider potential conceptual limits of new regionalism, as they can be deduced from a growing body of work which challenges this scholarly strand in both empirical and conceptual terms. Accordingly, I will mostly focus on relational approaches, which warn against the attribution of intrinsic properties to predetermined spatial concepts, and draw

attention instead on how space is routinely (re-)constituted through complex organisational architectures and spatially-stretched relations.

Finally, by following this theoretical strand, I will try to disclose the essential - but also contingent - link which exists between a particular spatial conception and the politics of place it supposes. Such an approach should thus allow us to join again what in the CP remains disconnected, showing why the two aspects ought to be addressed simultaneously.

Building on this theoretical background, the second chapter carries out an analysis of the main CP programming documents, with a view to illustrating the new regionalist imprint on the Policy.

The chapter is organised into two parts. In the first one, I will point out how CP has derived from this approach both its spatial grammar (especially the global-local dialectics), and, importantly, its main rationale, namely the idea that competition and cohesion can be reconciled by unlocking the endogenous potential of regions. Accordingly, the CP has then absorbed the new regionalist “policy tool-box” too, as demonstrated by the emphasis on regionalised university-firm networks, technology-transfer, clusters, and so forth. Also, I will pinpoint the political motives which may explain the strong linkage between new regionalism and CP; in particular, I will try to describe how, through their coupling, CP and new regionalism are actually reinforcing each other.

In the second half of the chapter, I will shift the focus towards the procedural devices (incentives, sanctions, etc.) and strategies that the Commission has designed to transfer its policy priorities to regional programming. This analysis is essential, as some of the most problematic aspects of the CP reside precisely - I claim - in this transmission mechanism which connects the EU policy arena to the regional one; transmission mechanism which is indissoluble from the Policy's content.

More precisely, my argument is that, by adopting the new regionalist perspective, the Commission has put itself in front of the following inescapable conundrum: if regional economic performances depend on endogenous social factors - as new regionalism advocates -, then the only possibility to boost development in less favoured regions consists in socially-engineering those factors. However, that would clash with the other fundamental tenet of new regionalist policy models according to which, exactly because of the endogenous and territorialised nature of development, policies should be formulated on the basis of bottom-up processes.

The remaining part of the chapter is then dedicated to examining the expedients that the Commission has devised to tackle this problem, that is to find an (impossible) balance between keeping context-sensitiveness in local policy-making, while orienting development priorities from outside. I will particularly focus on a programme implemented under the CP in the previous programming period (2000-2006), named *Innovative Actions* (IA). The programme is significant since, widely resonating with the new regionalist logic, it expressly

aims at employing networking as a sort of governance technology to induce that cultural change considered as a pre-requisite for the effective translation of the CP policy orientations at regional level. In particular, IA demands regional authorities to formulate innovation strategies revolving around university-firm network approach, and sets consensus among regional stakeholders as a condition to access funds, so to trigger the institutional convergence around this innovation strategy.

Drawing on relational perspectives, I will conclude the chapter by arguing that the IA programme exemplifies the intrinsic contradictions which affect the overall CP. In particular, my thesis is that IA rests on some assumptions which are deeply problematic, and which are likely to undermine both its economic and institutional objectives. As for the economic aspects, I will contend that CP/new regionalism involve a prioritisation of local links which does not mirror the spatialities characterising modern economic relations. Consequently, the hypothesis is that the ensuing development strategies are fated to be ineffective.

Regarding the institutional dimension, CP/new regionalism suggest a sort of “endogenous justification” for the causes of territorial disequilibrium which, again, is theoretically and empirically questionable, and politically risky. What is more, the IA’s operational mechanisms are intimately paradoxical, as they try to foster “from the top” some social dynamics (especially consensus), which are supposed to be the result of autonomous and bottom-up processes. In this case, my argument is twofold: i) such mechanisms entail that “functionalisation” of regional governance I have mentioned before, which is likely to compress public debate and “technicalise” political choices; ii) as a consequence, this approach will produce the opposite of a consensual and context-sensitive politics of local development; that is, it will generate a new centralism at the regional level which is politically “empty” though, since is deprived of the possibility to actually decide the direction of its policy course.

Several authors have already remarked the “irony” or “paradox” inherent in these aspects of the CP. However, the way in which such a problematic knot empirically impacts the design, delivery and effects of development policies at regional level seems to remain a relatively unexplored issue. The third chapter thus presents the findings stemming from the case-study of a particular IA-funded action implemented in Tuscany on Regional Authorities’ initiative, that I conducted with the purpose of responding to the previous question.

More precisely, given the preceding arguments, the case-study has a bifocal nature. On the one hand, it aims at providing further insights to assess the effectiveness of new regionalist policy approaches, by considering the IA programme’s outcomes in Tuscany. On the other hand, it intends to shed light on the effects produced by the CP mechanisms on regional governance, and on how these mechanisms are related to the normative objectives of the EU regional strategy.

Both dimensions are needed to carry out the analysis. Indeed, the outcomes of the programme are necessary to validate or to question the strategy's significance. At the same time, the hypothesis is that the institutional procedures which have led the formulation and implementation of said strategy (and their consequences in terms of governance) are not independent from the spatial conception underpinning the strategy itself. In other words, I will try to demonstrate that there exists a circular relation which binds substantive and procedural aspects.

From a methodological point of view, the two research levels require different approaches. With regard to the first aspect (the outcomes of the programme), I will rely exclusively on secondary data, namely the results contained in the official evaluations reports.

As for the institutional dimension, the issue consists in tracing the intersections among theoretical assumptions, administrative procedures, incentives, etc., which - I argue - hold together CP system, regional governance and content of development policies. In order to give a readable account of this complex entanglement, I will draw on actor-network theory's suggestion that concepts are not merely communication intermediaries, but they can also shape behaviours and relations, thanks to their capacity to enrol and mobilise actors. In this sense, I will concentrate on the concept of "regional innovation networks", to see how this has been adopted from the CP, translated at regional level, and consequently consolidated in a set of institutional relations, interests, tensions, and policies (the last represented by the target programme).

The results emerging from fieldwork will substantially confirm the research hypotheses. In particular, the outlined approach will help us understand why a certain policy course (centred on innovation networks) is maintained over a long time, notwithstanding consistent (and official) empirical evidence has demonstrated it ineffective. Indeed, because of the CP's awarding mechanisms, regional policy-makers are induced to formulate programmes which have first and foremost to satisfy Commission's priorities, thus disregarding programmes' actual feasibility or probable efficacy. That also involves a particular *modus operandi* in which technical compliance with CP thematic and procedural aspects prevails over political considerations.

Besides, the fieldwork will also offer interesting insights in understanding how regional governance is affected by the CP. In particular, the analysis will clarify how the CP's architecture influences power relations at the regional level, as it makes regional policy-makers the gatekeepers of the relation (and funding-stream) between the EU and the regional policy-arena, thus strengthening their position to the detriment of other regional stakeholders, who find it difficult to ascertain "who decides what".

Such an institutional configuration, along with a marked ascendancy of new regionalist conceptions over regional officials' "policyscape", tends to generate a "dirigist" politics of development which has two important manifestations. On the one hand, regional policy-

makers deem it necessary to direct economic change by transforming entrepreneurs' mentality and by orienting academic research. This is consistent with an endogenous conception of development (and hence of underdevelopment as well) according to which, if an innovation strategy has proved to be unsuccessful, this is not due to the strategy's failure, but rather to the regional economic actors' inadequateness. On the other hand, the risk of losing EU funding is used by regional-policy makers as a pretext to reject certain socio-economic partners' requests, and to reduce the room for contesting or proposing alternatives to a policy programme. The final result is a mistrustful and conflictual governance, in which participation in political process is reduced and discouraged, and in which everyone blames everyone else for the disappointing results.

The concluding chapter is then dedicated to reassembling the various pieces of the empirical puzzle. I will in particular try to show why the disappointing results outlined in the preceding chapter were to be expected, and why they should be related to the spatial rationales underpinning the CP. Following these arguments, in the final part I'll make an attempt to delineate the contours of an alternative politics of local development, which sets out from a thorough inquiry into the sense of multiplicity and heterogeneity in space.

# CHAPTER I: THE DEBATE ON THE SPATIALITIES OF INNOVATIVE PHENOMENA AND THEIR IMPLICATIONS FOR GOVERNANCE

## 1.1 Introduction

Over the last two decades, scholarly research on the spatial dimension of economic processes has witnessed a rising interest in the region, both as analytical unit and as privileged level for the formulation and delivery of development policies. An expanding mass of studies in this field has contributed to build up an original theoretical framework - often labelled as “new regionalism” -, which aims at explaining the emergent (regional) geography of economic development, shaped by the new forms of socio-economic coordination associated with the end of the Fordist regime and the advent of a globalising “knowledge economy”.

Parallel to this growing academic attention to the regional dimension of economic activity, many Western countries have undergone substantive processes of re-organisation of their institutional set-up, which have led to a significant decentralisation and devolution of political structures and responsibility away from central governments to the regional level. Such institutional reforms have been particularly marked within the European Union, where the management and delivery mechanisms of the EU regional policy have been recognised as important drivers of regionalisation dynamics.

Clearly, there exists a mutually reinforcing relation between the increasing prominence of new regionalist accounts in the theoretical debate and the pervasiveness of regionalisation processes in the institutional domain. This relation revolves around the definition and the foundation - in both theoretical and political terms - of new governance configurations which are consistent with the economic imperatives of the global-local dialectic.

Again, in the European context the link between the two dimensions appears particularly evident. On the one hand, the new regionalism has provided the EU with a sound theoretical basis to design both the content of its Cohesion Policy<sup>3</sup> and the “Multi-Level Governance” architecture which underpins its implementation. On the other hand, by adopting the new regionalist framework, the EU regional policy has contributed - thanks to its political weight (see Introduction) - to foster further rounds of studies in the field, thus strengthening cumulatively the two processes according to a typical “increasing returns to adoption” process. Also, and more interestingly for our research purposes, the EU regional policy has

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<sup>3</sup> The Cohesion Policy is made up of three different funds: the *European Regional Development Fund* (ERDF), the *European Social Fund* (ESF), and the *Cohesion Fund*. Only the last of the three is assigned and managed on a national basis. The first two require - to a varying extent depending on national regulations - some sort of decentralised structure for their management. In any case, all the three Funds contribute to reduce spatial inequalities across Europe on the basis of objectives which have to be defined at a regional scale. Therefore, from now on, I will use the names *Cohesion Policy* and *Regional Policy* as synonyms.

represented, to a certain extent, the experimentation field, in which development strategies directly inspired to new regionalism have been tested.

Therefore, while the main analytical focus of this work will be constituted by the relation between policy objectives and governance mechanisms characterising EU regional policy, the present chapter is dedicated to exploring the core theoretical elements of the new regionalist account, and its normative projections for policy-making. This preliminary theoretical review is necessary to understand both the rationales and the policy tools concretely employed in the EU's approach. However, this chapter will also take into account the potential explanatory limits of new regionalism, drawing on the work of an increasing number of scholars who have questioned this theoretical strand in both empirical and conceptual terms. I will then build on such a critical inquiry to formulate the research questions which will lead the subsequent empirical investigation.

This chapter is thus organised as follows: in the next section I will consider the main conceptual building blocks of the new regionalist framework. I will in particular examine how, though encompassing heterogeneous theoretical approaches, the framework does actually delineate a precise spatial conception. I will then illustrate how such a conception entails a consequent set of policy indications to be delivered in the context of a coherent politics of place, that is of a coherent system of institutional relations, political priorities and governing methods. In the third section, I will move on to review some empirical findings which challenge the new regionalist approach in some of its core elements. Finally, I will analyse how these findings point at a fundamentally different spatial grammar, which opens up new questions about the role and the sense of local institutions within an alternative policy of regional development.

## **1.2 The new regionalist perspective**

As mentioned above, new regionalism interlaces a descriptive account of the geography of development with an analysis of the new forms of socio-economic coordination (especially in the field of knowledge production), which characterise the modern economy. At the intersection between these two perspectives, it then finds - in spatial terms - the role of the region.

However, new regionalism is a label which encompasses a range of rather different theoretical strands. At least four of them can be distinguished: research in economic geography, focusing on the effects produced by agglomerative dynamics (in terms of externalities, spill-overs, etc.); studies of economic sociology investigating the role played by social values and institutions; perspectives derived from evolutionary economics and taking into account the co-evolutionary dynamics between economic agents and their environment;

organisational studies analysing how (economic) organisations structure themselves and operate to make (economic) sense of their tangible and intangible resources.

Clearly, the borders between these strands are blurred and, in part, new regionalism can be recognised as a distinct theoretical perspective precisely because it weaves together these diverse threads of reasoning (Lagendijk 2006). However, new regionalism does not constitute yet a coherent and unitary theory (Amin 1999): while sharing some important conceptualisations (the centrality of region in the first place), these different lines of inquiry continue to respond to distinct research programmes, often providing contrasting policy indications.

This aspect needs to be stressed from the very beginning, in order to avoid inappropriate generalisations and reductionisms. In this sense, it is important to specify that in the next sections and throughout the rest of this work we will focus mainly on the institutional-evolutionary stance. We will follow in particular its reading of the role of regional governance in fostering local development, and its policy propositions concerning the development of localised innovative networks between firms and university. As will become clear in the next chapter, the motive for this choice is that the link between this approach and the content of the EU's regional policy is particularly clear and strong.

### *1.2.1 Main elements of new regionalism: innovation, proximity and institutions*

At core of the new regionalist approach lies the conceptualisation of innovation as the main explaining factor for economic growth.

The centrality of innovation would be connected with the peculiar characteristics of the post-mass production and market environment: more and more volatile demand; rapid obsolescence of products; increasing consumers' desire for quality and distinctiveness in their purchase decisions; and, finally, liberalisation of both internal and cross-borders markets and consequent increase in international competition (Dunning 2000).

The latter element, in particular, is theoretically crucial, since the supposed pervasiveness of globalisation dynamics plays an essential role to justify the claim for a new - compared to the Fordist era - political economy, and to legitimate the generalisation of the interpretative scheme to the entire economic world. As Cooke *et al.* (2000, p. 12) point out:

“What this globalisation of some “georegions” nevertheless means is heightened competition compared to the position when national economies rather than trading blocks were the key arenas of economic governance and practice. [...] Innovation is forced upon firms by the twin competitive pressure of rising quality and declining costs, so that even if most firms are not in direct contact with a global final market they are indirectly affected by it through the supply-chain”

We will come back to the spatial significance of this scheme in the following section; here it suffices to emphasise that, because of this “globalisation factor” and of the above mentioned



changes in the sociology of consumption, new regionalism posits that *all* firms are affected by the innovation imperative; that is all firms are pushed to boost their innovative capacity in order to maintain their competitive position. More precisely, by introducing innovations, firms are able to gain temporary competitive advantages (until imitation wipes them out), which in turn would generate numerous economic benefits, such as increasing returns, higher wages and employment intensity (OECD 1992; Dosi 1988).

If innovation is the engine of growth, knowledge is then considered as the fuel: the knowledge base of a firm would represent in fact the most important resource to prompt its innovative capacity (Cooke and Morgan 1998). And if knowledge is the strategic resource, the capacity of learning and absorbing external knowledge - especially in a highly instable environment - consequently becomes the most vital process (Lundvall and Borras 1997). Finally, because of both the nature of learning processes and the increasing complexity of new technological productions, interaction among heterogeneous actors, who combine simultaneously different capabilities and knowledge resources, is seen as a necessary condition to create new viable knowledge (Boschma 2004).

The tight relation between interactive learning, innovation and growth represents thus the first conceptual building block of new regionalist approaches; the second aspect is constituted by an emphasis on the territorialised nature of innovative dynamics, and on the salience of spatial proximity.

The spatial dimension of interactive learning in the context of productive relationships has been addressed in particular by the literature on "localised learning". The starting point is generally the conceptualization of knowledge as a semi-public good, which is neither exhausted after use, nor fully appropriable by its producer (Rodriguez-Pose and Crescenzi 2008). Consequently, knowledge would tend to "spill over" from its original source and to spread over space, thus generating what is usually referred to as "knowledge externality". However, according to this analytical scheme only a certain kind of knowledge (codified) can be easily transferred and accessed throughout space; other forms of knowledge (such as skills, know-how, etc.), which relate to the way codified knowledge is concretely applied to the production processes, tend to be far less formalised and, consequently, would also be less mobile in spatial terms (OECD 1992). More precisely, these forms of tacit knowledge are said to be accessible only through direct physical interactions, and, as a result, they appear to be "geographically bounded" (Rodriguez-Pose and Crescenzi 2008, p. 379) and locationally sticky (Cooke *et al.* 2000).

According to Malmberg and Maskell (2006), spatial proximity thus favours interactive learning, as it makes face-to-face contact easier and more frequent. Consequently, they claim that interactive learning ought to be understood as a fundamentally localised phenomenon which, in turn, is both an explaining factor and a consequence of the development of industrial agglomerations. Indeed, in the authors' view, localised learning processes favour the

development of “localised capabilities”, which attract new firms, eager to benefit from knowledge spillovers, thus reinforcing cumulatively learning dynamics within the cluster.

The role played by face-to-face contact and spatial proximity is also at the basis of Storper and Venables' concept of *buzz* (2004). Within a transaction-costs framework, the two authors develop an analytical model which emphasises how face-to-face contact represents an important mechanism to solve coordination problems in modern economy. It would indeed reduce free-riding incentives in collective projects, by signalling partners' commitments; it would facilitate the formation of groups of high-skilled professionals, by acting as a screening mechanism about the qualities of the members; it would represent a communication technology because eases the transmission of tacit knowledge. Consequently, as in the authors' view face-to-face contact requires co-location, people operating within environments characterised with high levels of interaction (buzz environments) would be likely to be more productive and more creative.

In sum, at the core of this perspective lies the idea that there exist different forms of knowledge; these forms of knowledge display different spatialities, because their different intrinsic qualities require different social mechanisms of transmission and, consequently, they are also bearers of diverse spatial effects. Indeed, whereas codified knowledge would foster globalisation forces, as it eases standardization and spatial dispersion of previously rare and localized resources, tacit knowledge exchange would involve direct interaction and propinquity, thus acting as a differentiation drive. Therefore, this line of reasoning points at the importance of spatial proximity as an analytical element to explain both the persistence of spatial patterns of productive specialisation, and the concentration of higher innovation rates in few world-leading technological poles, or “islands” of innovation (Rodriguez-Pose and Crescenzi 2008; Storper 2000; Maskell and Malmberg 2006; Cooke *et al.* 2000).

The idea that spatial proximity may be conducive of interactive learning processes has involved further and more targeted researches on the social mechanisms which favour the emergence of shared cognitive frameworks at local level: this represents the main field of inquiry of institutionalist approaches.

For authors working within this strand, the interactive nature of innovation processes in particular, and of economic activity in general, demands to interpret them as “socially embedded” phenomena (Amin and Thrift 1994), whose outcomes are strongly dependent on some “soft” social factors, such as the presence of a common background of shared rules, values, etc. (*Ibid.*; Asheim and Isaksen 2003). In other words, this approach abandons a classical (orthodox) atomistic perspective, and re-calibrates its analytical lens towards the collective foundations of economic behaviour (Amin 1999).

Central elements of this approach are therefore institutions, conceived as a complex set of formal and informal norms, arrangements, routines and practices which make possible collective action. In terms of economic development, the relevance of institutions consists in

minimising transaction costs associated with innovative activities, thus generating more frequent and more significant interactions (Cooke and Morgan 1998). In addition to this, the iterative dynamics enhanced by a dense institutional substratum can lead to the development of conventional architectures of “untraded interdependencies” (Storper 1997), which allow economic actors to coordinate in a coherent way the multiple interactions implied in the functioning of a learning system, by favouring a sort of “interpretative convergence” (*Ibid.*, p. 37).

Moreover, if institutions shape the relational architecture for collective action, some social values - in particular trust - act as a lubricant. Trust-based relations are indeed deemed to be “better placed to cope with uncertainty, because [...] trust reduces risks and discloses possibilities for action which would have been unattractive otherwise” (Cooke and Morgan 1998, p. 30).

In other words, an institutionally “thick” environment would favour the emergence of a collective order, or an “associative governance” (Cooke 1998), which influences the economic performances of local actors in two ways. On the one hand, it is supposed to boost the creation of a common industrial culture, grounded in shared interpretative schemes, which enhance firms’ absorptive capacity and knowledge transfer (Bramanti and Ratti 1997). On the other hand, it would promote the development of a local reflexive dimension, that is the rising of a mutual awareness about aims and costs of the common development trajectory (Amin and Thrift 1994), thus easing the socialization of negative externalities, or the funding of public goods needed by the local system (Bellandi 2003).

The relation between innovation and processes of collective co-ordination has been addressed also by evolutionary approaches. Similarly to institutionalist accounts, evolutionary approaches put at the centre of their inquiry the importance of organisational and institutional mechanisms in reducing the risk involved in economic and innovative activities; however, they diverge from the former for their stress on the relation between spatial and temporal dynamics.

Indeed, according to the evolutionary perspective, the very nature of the innovative process entails by definition an irreducible uncertainty, which is not only related to a lack of information but, more fundamentally, to the fact that the result of interdependent decisions are not knowable *ex-ante* (Dosi 1998; Lundvall 1988). To cope with this fundamental uncertainty, economic actors develop routines, which simplify decision-making processes, but which, on the other side, make innovative learning a cumulative process, which is “specific and localized” to precise technological trajectories (Dosi 1998, p. 226). In other words, according to evolutionary perspectives innovative learning is “path-dependent”, in the sense that it has not a predictable final result, but the outcome evolves as a consequence of the process’s own history (Arthur 1988).

Although in their early works authors under this approach underlined how path-dependent processes had to be understood as relative to a technological rather than geographical space, their conceptualisations have been quickly transposed to the study of local development dynamics. Boschma (2004), considering the importance of institutional factors in coordinating local relations (and in particular knowledge exchange), emphasises how these factors evolve slowly in time, thus acting as selection device on knowledge creation at local level. That, in turn, would explain the persistence of different regional development trajectories.

In a similar vein, Martin and Sunley (2006) suggest considering local economic space at once both as a selection environment, within which firms and institutions evolve, and as an entity itself which evolves by virtue of the development of its constitutive elements. In this sense, they claim that path-dependence is to a large extent a “place-dependent process”; the two being linked in a circular way. The co-evolution between technological possibilities on the one hand, and localised capabilities and institutional arrangements on the other hand, can then lead to lock-in situations, in which places get stuck with previously efficient technological paradigms (Glasmaier 1994), but it can also start unexpected “de-locking” processes, as new trajectories emerge spontaneously in space (Boshma 2004).

To conclude this review, we can observe how, though from different angles, all the previous approaches tend to identify the environment in which firms are embedded as an important analytical entity, which possesses its own phenomenology, and which plays a major role in determining firms’ competitiveness. As Bellandi and Caloffi (2008, p. 38) have pointed out on this regard, “labels such as milieux innovateurs, dynamic industrial districts, innovative clusters, and regional innovation systems explicitly incorporate the concept of system within a specific set of relations rooted within a context – the territory – with its history and its endowment of rules, norms and codes of practice”. In the next section, we will try to pull together the different elements above outlined, to see how they combine together to delineate a particular spatial conception.

### *1.2.2 The new regionalist spatial conception*

We have seen that institutionalist-evolutionary literature explains firms’ innovative capacity as an interactive collective phenomenon, which is inscribed in a system of local institutions. The first feature of the spatial landscape designed by new regionalism is therefore a scalar specification: regions, conceived as meso-level entities operating between the national and the local level, constitute an important dimension of socio-economic co-ordination (Storper 1997; Lundvall and Borràs 1997; Cooke *et al.* 2000).

However, it has also been observed that, within this perspective, regional level is not imagined just in terms of a spatial arena, and territory is not described as a mere physical

support. On the contrary, the regional territory becomes an effective spatial agent, which models from within the shape of relations among other individual or collective agents, and co-determines their dynamics (Bramanti and Ratti 1997; Pike *et al.* 2007). Bringing together the elements outlined in the previous section, the interpretation of the role of the territory goes as follows: the territory is a bounded system of contextual (i.e. tacit and specific) accumulated knowledge which is exploited to generate innovation by closely located firms, through interactive learning processes. Such processes are then enhanced by the presence of an institutional architecture, which facilitates the mutual co-ordination of strategies, thus leading to the emergence of a shared cognitive framework and a coherent governance system. Finally, the coupling between the system and the external environment determines its evolution in time, depicting identifiable trajectories, whose outcomes are however never predictable in the long term.

Consequently, within this perspective, “it is not the individual or the organizational but the territorial level that matters” (Boschma 2004, p. 1008), and firms and entrepreneurs themselves are “to a large extent generated by the local context” (Camagni 2002, p. 2396). As Hudson has effectively summarised (1999, p. 66), new regionalism entails a “decisive shift in focus from firm to territory as the key economic actor [...], to a collective and territorialized definition of competitive advantage”.

From that it follows - and we come to the third aspect - that regions have to be conceptualised as autonomous organisms, endowed with teleonomy, which pursue their competitive strategy vis-à-vis other similar competing entities. In this sense, Camagni (2002) argues that, since some adjustment mechanisms that regulate international trade (the Ricardian law of comparative advantage) do not work at subnational level, regions operate in a regime of absolute advantages. That means that, in order to secure a certain level of economic well-being, territories have to compete among themselves, using proactively “the creation of collective strategies as their instrument” (*Ibid.*, p. 2406; similarly also Gray and Dunning 2000). In a more nuanced way, Boschma (2004) maintain that, although regions do not compete in the same way as firms do, they are nevertheless “active players” which represent their interests with the goal of preserving or enhancing their competitive position.

From the previous discussion it emerges that the strength of the propositions about “competing regions” is correlated with a parallel emphasis on the pervasiveness of globalisation imperatives. This combination would be particularly marked within the EU, where the implementation of the common market and the adoption of a common currency among many Member States would have deprived national governments of important re-equilibrating tools in political economy, leaving territories exposed to international competition. The last element of the spatial conceptualisation elaborated by new regionalism concerns thus the dialectic between global and local.

The global appears here primarily as the space in which locales compete. But the global is also the dimension from which territories can drain resources (especially informational) to nurture their competitiveness. In this sense, Bathelt *et al.* (2004) argue, for example, that most successful clusters are those that succeed in establishing a variety of channels (that they call pipelines) to tap into relevant knowledge produced in other “hot-spot” around the globe. Through pipelines, firms are able to access new and non-incremental knowledge which, thanks to local buzz, tends then to spill over the other firms in the cluster. As the establishment of pipelines is both economically and cognitively expensive for firms, clustering would thus represent an effective strategy to maximize the benefits coming from pipelines. Similar arguments have been expressed also by Bramanti and Ratti (1997) with reference to the need for innovative milieux, and they resonate Storper and Venables’ idea (2004) that the more a place is interwoven with global flows, the more it needs a local buzz to function efficiently.

These accounts portray a spatial image in which the global and local develop a constant dialectic interaction, while remaining two clearly distinct entities. The global is in fact described as an anonymous and entropic force, pushing towards dispersion and homogeneity; the local is conversely represented as a compact and coherent unit, which relies on its endogenous potential, that is on its unique assets (depending on tacit knowledge and institutional arrangements) to compete in the world.

To conclude, in this section we have seen how, building on a particular understanding of the territorial features of innovation dynamics, new regionalism has generated a spatial ordering centred on the role of competing regions in a globalising world. In the next section, we will examine how this spatial grammar has been used to formulate a series of normative indications for spatial development policies.

### *1.2.3 Some models for developments policies: Regional Innovation Systems and Triple Helix*

In the previous sections we have considered how, by combining heterogeneous analytical concepts (localised learning, institutions, path-dependence, etc.), new regionalist accounts have come to formulate quite a definite framework, through which interpreting the spatial dimension of development processes.

On the basis of this interpretative scheme, new regionalist literature has then envisaged a wide range of policy orientations, aiming at stimulating economic growth and competitiveness. While the focus of these propositions may vary (cluster building, task forces, innovation networks, etc.), all the approaches share the following rationales:

- a) development policies should be implemented at regional level;

- b) development policies should aim at unlocking the endogenous potential of regions, by stimulating the collective creation of new knowledge;
- c) this approach is particularly appropriate for less developed regions; more in general, this is the only viable approach to tackle territorial imbalances in the context of the new economic imperatives determined by globalisation.

While the previous points represent a shared background, in this section we will concentrate on two specific policy models elaborated under the new regionalist strand: *Regional Innovation Systems* and *Triple Helix*. Again, the choice derives from the strong influence that such models have exerted on the EU regional policy.

Both the RIS and the *Triple Helix* approaches focus on the role played by localised university-firms connections in boosting local development. From a theoretical perspective, these models combine the spatial grammar provided by new regionalism with sociological analyses investigating the new mechanisms of knowledge production in the modern economy.

In this context, the work of Gibbons *et al.* (1994) on the emergence of a *Mode 2* of knowledge creation has been particularly influential for the account it gives of the increasing interaction and permeability between the academic and the business sphere.

According to Gibbons *et al.*, the massive expansion of qualified workforce occurred since the 1960s, associated with the improvements in transportation and in ICT, have led to “an explosion in the number of interconnections and possible configurations of knowledge and skills. The outcome can be described as a socially distributed knowledge production system [... in which] communication increasingly takes place across existing institutional boundaries” (*Ibid.*, p. 10). Such dynamics would thus signal a more significant transformation in the social foundations and rationales of knowledge production: while in the previous *Mode 1* of knowledge production problem-solving was carried out following the practice relevant to a particular discipline in the absence of some practical objectives, in *Mode 2* problem-solving would be organized around a particular context of application, thus always responding to one or more interests and social needs.

An important point of this account relates to the fact that, according to the authors, the emergence of *Mode 2* is driven by - but at the same time it contributes to - the development of dynamic markets, in which firms increasingly engage themselves in a plurality of arrangements to source specialised knowledge<sup>4</sup>. Therefore, the emergence of new mechanisms of economic coordination and the emergence of new modes of knowledge production are conceptualised as two mutually reinforcing processes.

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<sup>4</sup> In the authors' words: “in these markets knowledge itself is sought continuously, but more often than not it is not readily available to be bought or sold off the shelf, like other commodities. It is increasingly generated in the market nexus itself” (*Ibid.*, p. 13).

The RIS and Triple Helix models draw precisely on this latter intuition to develop their analytical models, within a new regionalist framework. More precisely, from Gibbons *et al.*'s work, such models derive the idea that the competitiveness of industrial systems can be enhanced by decentralized institutions which, acting as brokers to pool socially dispersed knowledge, can increase the connectivity of the system, and thus its innovativeness.

However, contrasting with one of the Gibbons *et al.*'s main conclusions that, as a socially distributed process, the locus of knowledge production is "global" (*Ibid.*, p. 157), in the Triple Helix and RIS approaches the idea of decentralized and "lean" institutions has been rigidly translated into *regional* institutions; similarly, the idea of connectivity has been rendered in terms of *regional* interconnections between firms and universities. In sum, these models have combined some elements of the Mode 2 theorisation with accounts coming from the regionalist approach, to create a prescriptive scheme of the relation between science and business, oriented to promoting local development processes.

Moving on to examine the analytical and normative content of such a scheme, some differences can be detected between the two models.

The RIS approach is based on a combination of institutional and evolutionary economics theoretical inputs, and focuses on the role played by different governance configurations in explaining the relative innovative success of some regions (Cooke 1998). Against this background, regions are conceptualised as dynamic systems, whose constitutive elements are: the productive world, the research organisations, and the political institutions. The rules of interaction among these three sub-systems are then determined by two sets of variables, one referring to the "infrastructural level" (inherent to the degree of political autonomy of regional authorities), the other one to "superstructural level" (the values and norms regulating the relations among regional actors) (Cooke 2001). The innovative capacity of a region would be thus dependent on the way the infra- and the superstructural levels combine together, determining the governance configuration which characterises each specific regional system (Cooke *et al.* 2000). Consequently, according to the RIS perspective, regional institutions assume essentially the role of facilitator, which tries to create cultural bridges between the local sources of knowledge and the business sector (Oughton *et al.* 2002; Asheim and Isaksen 2003; Bellandi and Caloffi 2008).

The Triple Helix approach shows a more marked evolutionary perspective, and is meant to provide "a model at the level of social structure for the explanation of Mode 2 as an historically emerging structure for the production of scientific knowledge" (Etzkowitz and Leydesdorff 2000, p. 118). Within this framework, innovation processes are understood as the result of the co-evolution of three central societal forces: academia, industry and the public sector. The interplay of these subsystems produces changes both at the internal level of each sub-system and at their reciprocal interface; these changes, if mutually coherent, can facilitate further interactions, thus leading to a greater integration. Moreover, at each subsequent evolutionary



phase, the sub-systems become increasingly inter-dependent; the final outcome is the development of a new overlay of communication infrastructures at the interface of the sub-systems, which are morphologically different from the underlying sub-systems, and conjure new contexts of knowledge creations in most advanced knowledge societies (examples would be constituted by the emergence of *technology transfer offices*, public-private research centres, etc.). Finally, the role of development polices is to accelerate these endogenous dynamics through appropriate regulations and financial incentives.

So, from the previous review it can be noted that, despite some distinctions, the two models share some important characteristics.

First, both models combine analytical and normative elements. Indeed, they draw their insights from the study of some successful regional cases (mainly in Europe for the RIS, and mainly in the US for the Triple Helix), and subsequently extend their implications in a normative policy scheme, apt to be implemented more or less universally<sup>5</sup>.

Secondly, as we have seen, both models distinguish the same three sub-systems and identify in technology transfer mechanisms (labelled “cultural bridges” or “overlay infrastructures”) and networking strategies among core organisations the essential elements to enhance the learning capacity of the regional system as a whole (Oughton *et al.* 2002).

Thirdly, universities are alternatively conceived as “cornerstones” of the governance configuration in a knowledge economy (Cooke *et al.* 2000), or as catalysts of regional innovation processes (Chatterton and Goddard 2000; OECD 1998 and 2008).

Given the importance that university acquires in the two models, and the novelty that this element represents compared to traditional development policies, the function attributed to this institution deserves here a closer scrutiny.

The centrality assigned to university is grounded on both conjectural and empirical considerations. As for the first, considering the increasing importance assigned to intangible contents in determining economic competitiveness, universities as knowledge institutions *par excellence* are the first candidates to play the role of knowledge providers for the local productive system. In this sense, Chatterton and Goddard (2000, p. 474) argue that “regionally-engaged higher education institutions can become a key asset and powerhouse for economic development”.

In empirical terms, some statistical analyses (Oughton *et al.* 2002) would have found that across Europe: i) there is a positive relation between R&D intensity, innovation activity and economic prosperity; ii) public and private expenditure in R&D are correlated; iii) innovative

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<sup>5</sup> In this sense, Etzkowitz *et al.* (2000, p. 329) state that “the establishment of universities has always been a strategy for latecomers or lagging regions [...] one element of the latecomer strategy is designing a new entrepreneurial university; it is also restructuring and reorganizing existing universities according to the MIT prototype”; in a more nuanced way, Cooke *et al.* (2000, p. 20) argue that “innovation policy cannot directly assist the unemployed back into jobs or backward regions to develop, but in concert with other policies [...] it can” .

inputs and outputs vary more within nation states, than across them. These relations would consequently justify the claim for integrating science policy in regional development strategies.

Therefore, within this perspective, concepts such as “entrepreneurial university” (Etzkowitz *et al.* 2000; Bramwell and Wolfe 2008) or “embedded university” (Lazzeretti and Tavoletti 2005) are used - again both in analytical and normative terms - to describe/assign university a “third role” besides teaching and research: contributing to regional development, through a structural transformation which makes organisational configuration, research priorities and teaching programmes more responsive to regional knowledge needs. This shift in the social function of universities has been summarised by Chatterton and Goddard (2000, p. 475) as follows:

For many higher education institutions regional engagement is becoming the crucible within which an appropriate response to overall trends in higher education is being forged. [...]. The challenge is to link within the institution the teaching, research and community service roles by internal mechanisms [...] and to engage the institution with all facets of the regional development process”.

The literature adopting either the RIS or the Triple Helix perspective has then identified a range of modalities, through which such an “engaged role” can be concretely articulated. The main forms of contribution are listed hereafter.

- a) Universities can have a direct economic impact, by commercializing new knowledge (through patenting and licensing activities) (Etzkowitz *et al.* 2000). In this sense, particular emphasis is put on a sound legislation which formalises university ownership of intellectual properties rights (the often cited model is the Bayh-Dole act of 1980 in the USA).
- b) Universities can strengthen the regional industrial web, by favouring the creation of spin-off and start-up firms<sup>6</sup> (Bramwell and Wolfe 2008; Lazzeretti and Tavoletti 2005; OECD 2008).
- c) Universities facilitate technology transfer processes in two essential ways: through contract research and consulting activities, and through the provision of a skilled workforce, which would enhance the transfer of tacit knowledge and networks of relations from university to firms (Bramwell and Wolfe 2008; Florida and Cohen 1999).
- d) By attracting international “star” researchers, universities can act as “pipelines” through which local firms can access relevant knowledge, produced in other “hot-spots” around the world (Chatterton and Goddard 2000; Benneworth and Hospers 2007).

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<sup>6</sup> The difference between spin-off and start-up firms is explained by Wright *et al.* (2008, p. 1207) in the following terms: “University spin-offs are defined as new ventures that are dependent upon licensing or assignment of the institution's intellectual property for initiation. In contrast, start-ups are companies where the university has been involved in some way in forming the company but where it does not have any formal intellectual property agreement with the company's founder”

e) Universities can play a role as institution-builders and network facilitators, thus contributing to foster trust and civic capital (Chatterton and Goddard 2000; Bramwell and Wolf 2008).

Summarising the previous discussion, according to the outlined models the emergence of the knowledge economy calls for the elaboration of developmental strategies at regional level, which promote regional innovative capacity, through the prioritisation of local links between the business and the academic spheres. These strategies are then deemed particularly appropriate for “underperforming” regions, which have to compete their way out of their disadvantaged position.

This scheme entails therefore a new approach to policy-making, in which education and science policies on the one hand, and industrial policies on the other hand are melted together in a new comprehensive innovation policy. As several authors have noted and claimed, such models are neither Keynesian nor neo-liberal, but represents a “third way”, since they abandon the individualistic and top-down approach common to the formers, and aim conversely at mobilising the endogenous and collective potential of regions through context-specific strategies (Oughton *et al.* 2002; Cooke *et al.* 2000; Amin 1999; Pike 2004). Moreover, in some accounts these models are explicitly presented as a more effective and efficient method compared to traditional redistributive welfare systems; indeed, they promise to reduce territorial inequalities at inferior economic costs, by generating an increase in the aggregate output without twisting resources allocation<sup>7</sup>. This vision has vivaciously championed by Cooke *et al.* (2000, p. 21) in the following terms:

“we make a strong case for focusing innovation policy and enterprise support at the regional level, indeed we argue that the world has moved on from the days when regional policy was primarily a spatial version of the redistribution of welfare to needy people in areas hit by deindustrialization or underdevelopment to a position where regional innovation policy is at the heart of economic development”.

We have dwelled at length on the content and rationales of the RIS and Triple Helix approaches because, as we mentioned at the beginning of the section, they have represented a reference model for the EU regional policy. In the next section we will deal with one last and crucial aspect of the new regionalist policy perspective: how the implementation of the these models is strictly dependent upon the parallel institution of new modes of governance at regional, national and European level.

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<sup>7</sup> It has to be noted, however, that this last issue is fairly contested within the institutionalist approach itself; critics have expressed particularly by Amin (1999) and Pike *et al.* (2007).

#### 1.2.4 *The role of governance according to the new regionalist perspective*

In the previous section we have gone through the main policy orientations advanced by some analytical models stemming from new regionalism, and in particular from its institutionalist-evolutionary strand. Those propositions also suggested implicitly that the possibility of implementing the outlined agenda requires the presence of a suitable coherent governance configuration which favours those informational circuits and institutional webs necessary to design appropriate interventions.

Once again, new regionalist approaches do not form a unitary theoretical framework about the structuring of the politics of local development; nevertheless, we will see how the grounding elements of the spatial conception described in sections 1.2.1 and 1.2.2 resonate with parallel normative recommendations about the characteristics of regional governance. In this regard, it may be worth tracing a preliminary distinction between propositions concerning the governance of local development at regional level, and propositions concerning the governance of the wider political system (national and supra-national) in which regions are deemed to play a significant role.

As for the first dimension, one of the cardinal elements of the governance vision championed by new regionalism is the idea that the definition of regional development strategies should be based on bottom-up processes. This is indeed considered as a *sine qua non* condition to elaborate context-sensitive interventions, shaped on the specific characteristics of the region. Such a stance explains the recurring emphasis on fostering, among the different components of the regional system, networks (Asheim *et al.* 2003), public-private partnerships (Oughton *et al.* 2002; OECD 1998) and negotiations (Etzkowitz *et al.* 2000), considered as appropriate devices to generate a recursive rationality (Amin 1999) or reflexivity. Reflexivity is then conceived as “the process which combines learning and intelligence such that, in a number of feedback loops, the system receives guidance” (Cooke and Morgan 1998, p. 73), thus signalling the emergent of an effective “learning region” (Oughton *et al.* 2002).

The theme of reflexivity is connected with another ingredient of the governance recipe, namely the coherence of the system. We have already considered the importance of this element within the institutionalist framework; coherence is indeed imagined both as an essential property to detect the presence of a regional innovation system (Bellandi and Caloffi 2008), and as condition for the system to follow an enduring development path. From a governance perspective, coherence is important because “regional innovation capacity depends on whether the individual elements of local order and their inherent governance elements are compatible” (Braczyk and Heidenreich 1998, p. 424). It is not always clear what coherence should refer to, although it is certainly related to the presence of those already mentioned “soft factors”, such as: shared values, trust, common identity, weak social tensions, etc. (Cooke and Morgan 1998). What matters here is that the recourse to collaborative

networks and partnerships is once again indicated as the most suitable method to expand and reproduce the soft base of local development (Bramwell and Wolfe 2008; Cooke *et al.* 2000).

Reflexivity, coherence and the underlying function of networks and partnerships introduce then a last and crucial component of this framework: the importance of co-operation and consensus. As we have seen, co-operation is simultaneously envisaged both as an attitude enhanced by the presence of soft factors, and as necessary approach to develop those same factors. Its role is thus strategic and it represents the peculiar way-of-doing of institutionalist policy action; therefore, the idea is that, where co-operative attitudes are not already present, they can/should be stimulated. Finally, consensus complements co-operation on the policy-making side and represents the logical consequence of the previous elements: if regional strategies have to reflect the characteristics of local economy, if strategies have to point to bridge the different components of the system in a coherent and co-operative fashion, then “regional governments should develop policies that have the consensus of regional stakeholders” (Cooke *et al.* 2000, p. 135).

The importance of consensus as a political condition, and of consensus-building as a political strategy, has to be stressed here. These two elements complete the institutionalist governance framework and, more importantly, systemise the overall approach. Following Oughton *et al.* (2002), the argument can be summarised in these terms: because of the role of tacit knowledge, the regional context influences significantly the innovative capacities of firms; more precisely, inter-firm and public-private co-operation and the institutional framework within which these relationships take place have a significant impact on regional innovation; as a consequence, “in the promotion of such innovation supportive regions the inter-linking of *co-operative partnerships ranging from work organisations inside firms to different sectors of society, understood as ‘regional development coalitions,’ will be of strategic importance*” (*Ibid.*, p. 101, emphasis added).

This account of the institutionalist approach to governance certainly simplifies a wider and more articulated debate. For instance, Amin and Thrift (1994) are rather sceptical about the possibility of reproducing the “institutional thickness” in places which are not already endowed with it (in a similar way also Braczyk and Heidenreich 1998). Héraud (2003) then insists on importance of considering regions as open systems, casting doubts on the alleged coherence of the regional system. In a more general sense, while stressing the potentialities of the new approach, Pike (2004, p. 2146) recognises that the institutionalist agenda lacks “conceptual and theoretical clarity, exhibiting a degree of ‘fuzziness’”.

However, despite these important theoretical distinctions, what is shared among most of the previous readings, and what ultimately specifies the institutionalist approach within the wider new regionalist strand, is a common emphasis on associationalism, collaboration and, in many cases, consensus building. This discourse tends thus to found an “organicistic” vision of the politics of local development, which assumes coherence as a pursued asymptotic

condition, and which consequently writes differentiation and social dialectics off, in the name of the growth imperative. Later on, I will try to make clear why this vision becomes even more problematic in political terms, when it is promoted from outside as reference model for the actual design and delivery of development policies. Indeed, this approach tends to subordinate governance relationships (functionalisation of consensus) to the achievement of a particular development model (based on regional networking), thus becoming inherently contradictory with reference to the supposed bottom-up and endogenous nature of this processes. But to fully grasp this crucial issue, a last point still needs to be briefly considered: how the formulation of new modes of governance at regional level has to be coupled with a parallel transformation of institutional set-up at upper scales.

It is evident that the formation of an associative governance and the consequent delivery of an innovation-based policy agenda are only possible if a downscaling of political capacity from national to regional level in policy-fields such as education, science, and research has already occurred. In other words, the realisation of the institutionalist programme clearly necessitates, as a prerequisite, the existence of a regional institutional level, endowed with a minimum degree of administrative, financial and political autonomy.

What has to be highlighted is that, in the European context, new regionalist approaches explicitly promote the EU as an important driver of the regionalisation process. Several authors have then particularly concentrated on the key role played by the institution of a *multi-level governance* system (MLG) in providing a clear political status to regional governance (Cooke *et al.* 2000; Leonardi 2006; Benz and Eberlein 1999). MLG has a double meaning: it is both an analytical tool which “accepts [...] the emergent and innovative role of new kinds of policy actor” (Cooke *et al.* 2000, p. 98), and a specific programmatic approach advanced by the EU, which weaves together the new regionalist perspective on economic regionalisation with a political discourse over the relation between decentralisation and democratisation.

Given the primarily European emanation of MLG, we will analyse in detail the implication of this concept in the next chapter. Here it suffices to point out that, as mentioned in the introduction, there is a two-way relationship between the new regionalist theorisations and the development of a MLG system. On the one hand, new regionalism has contributed to give a theoretical legitimacy to the MLG programme; on the other hand, new regionalism advocates the full unfolding of a MLG system to actualise its analyses and policy orientations<sup>8</sup>. In this sense, Benz and Eberlein (1999, p. 331) can argue that the regionalisation of EU policies and the establishment of MLG are twin processes, which respond to a two-fold pressure: from below, i.e. from the regional level seeking more involvement in the EU processes, and from above, i.e. from the European Commission “looking for partners and support” for its policies.

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<sup>8</sup> The importance of this latter aspect has been explained by Koschatzky and Kroll (2007, p. 1117) in the following terms: “the newly emerged multi-level governance system has created opportunities for the integration of regionally anchored innovation systems in globally operating science, technological and enterprise systems”.

Now, “while the latter [pressure] can be explained by functional requirements of policies differing between territories, the former corresponds to the interests of regional actors to maintain or extend their power in the process of Europeanization”.

Recapitulating, new regionalism has provided the rationales for a downscaling of industrial and innovation policies at regional level. The approach has been endorsed by the European Commission, for “functional requirements”, but also because it responded to its legitimation needs and political aspirations. The European Commission has thus favoured regional institution-building processes centred on innovation-related issues, through the delivery mechanisms of its policies and by developing a suitable governance configuration (MLG); as Cooke *et al.* 2000 (p. 100) have observed:

“as the EU programming process for Structural Funds requires non-regionalised recipient states to establish regional representation bodies, and as Structural Funds budgets increasingly encourage regional programming bids to contain more innovation-related projects than before, the EU can be seen to be a key driver of multi-level decision processes”.

This process has effectively played a role in empowering regions as new significant political-economic level; regions that now naturally claim for greater participation and further competencies to realise their development policy. In this sense, Bellandi and Caloffi (2008, p. 38) conclude that “the focus on the ‘region’ is related to the fact that it is a significant context of policy making”. As one can note, at the end of this process it is no more clear (and no more relevant, either) whether the claim for regionalisation is justified with the intrinsic spatial properties of development processes, or rather with the fact that regional level has become an important political-economic actor, which expresses its own programmatic agenda, and consequently try to “regionalise” economic processes. For these reasons it can be argued that new regionalism and the EU MLG are strengthening each other.

In the next chapter, we will consider more in-depth in which way the EU has absorbed the new regionalist perspective and translated it into its flagship policy. But a last observation needs to be anticipated here: literature on MLG, but also the interpretation formulated by the European Commission (see section 2.3), emphasise the fluidity (variable geometry) and transcalarity of MLG configurations (Koschatzky and Kroll 2007; Perry and May 2007; Cooke *et al.* 2000). However, what is found empirically, and what has also emerged implicitly from the previous discussion is that the MLG system interests and involves almost exclusively the administrative dimensions of regional governance, namely regional governments and authorities. These bodies are indeed given the opportunity to relate directly with the EU for the implementation of the regional policy, by-passing in certain circumstances the national level. However, other regional socio-economic actors, or other institutional units at sub-regional level are only marginally involved in MLG and, in any case, always through the mediation of regional authorities.

Later on we will analyse at length the rationales explaining this differentiation which has immense effects on regional governance. However, it was important make clear here what appears as a strong feature of the Cohesion Policy governance, which is likely to persist also in future evolutions. Indeed, it is meaningful that the recent *Green Paper on Territorial Cohesion* - that we mentioned in the introductory chapter - leaves completely unexplored the issue of the governance mechanisms regulating the determination of the policy objectives. Similarly, the *Barca Report* (Barca 2009), which overall rightly emphasises the necessity of founding the elaboration of the Policy priorities on a wide and high-level political debate, then tends to narrow the discussion on the nature of such debate to which kind of new institutional bodies should be put in place at EU level. As we will see in the next chapter, the sense and the scope of MLG is probably one of the most important and thorny element of the Cohesion Policy architecture.

To conclude, throughout the previous sections it has been examined how new regionalism, especially in its institutionalist-evolutionary articulation, builds on a particular interpretation of the spatiality of development processes to work out a set of policy indications coupled with precise governance models, which aim at stimulating endogenous dynamics and/or embedding global processes of growth. New regionalism has thus come to synthesise an influential discourse over the competitiveness imperative in the era of globalisation, which pushes regions and locale to become “agents of their own development” (Pike 2004), and which has found in the EU an important actualisation context. In the following sections, we will consider how the very theoretical foundations of this approach, that is its spatial conceptualisation, have been significantly challenged.

### **1.3 Theoretical limitations of new regionalism and emerging research and policy agendas**

We have seen that the theoretical core of the new regionalist approach lies in the distinction between codified and tacit knowledge, and in the consequent role played by spatial proximity in fostering interactive learning and innovativeness among co-localised firms. It is on these grounds that new regionalism develops then its territorialised definition of competitiveness, and the consequent emphasis on co-operative innovation networks and consensus-building as pillars of its policy orientations.

In the following sections I will take into consideration empirical findings and theoretical arguments which question both the spatial-temporal generalisability of new regionalist analyses, and, more substantially, its spatial conceptualisation. I will start from a review of empirical studies which challenge the policy indications advanced by the Regional Innovation System and Triple Helix models. I will then consider how these and other findings lead to interrogating the spatial grammar underpinning the two models, and especially the concept of



proximity. Finally, the last section will be dedicated to seeing how these critiques lay the bases for an alternative interpretation of the spatial dimension of socio-economic phenomena, which also calls for reconsidering the scope and the sense of a politics of local development.

### 1.3.1 *The uncertain effectiveness of RIS- and Triple Helix-derived policy schemes*

In section 1.2.2 we have identified RIS and Triple Helix as two of the most influential models in the field of regional innovation policy. We have seen that both models stress the importance of localised innovation networks in boosting local development; both models also converge in assigning university the role of engine of knowledge-driven economies. More precisely, literature has distinguished a series of functions through which “entrepreneurial universities” can effectively enhance regional environments: new knowledge commercialisation, spin-offs and start-ups generation, and, above all, knowledge diffusion and institutional building support. Now, consistent empirical evidence points to the contingent and sometimes clashing nature of these functions.

Huggins *et al.* (2008), quoting a study conducted by the *National Science Foundation* in the USA, find that licensing incomes have been concentrated among relatively few universities. Similar findings come also from an in-depth study of six universities located in mid-range regions (in terms of GDP and R&D effort compared to the EU’s average) in five different European countries. This study has highlighted that, with the exception of the English case, patenting activity was not a breakeven operation, and the royalty revenues were relatively small, inconstant and concentrated in few research groups (especially those in which a “star” researcher was present), so that the cost of patenting was barely covered (Wright *et al.* 2008). Accordingly, the authors conclude that “an IP [Intellectual Property] strategy is only likely to be successful at regional level if it is embedded in a critical mass of research, attractive enough for international companies to build embedded laboratories at the university site” (*Ibid.*, p. 1221).

More generally, several authors have suggested not overestimating the importance of legislation formalising the ownership of IPRs by universities, as in most cases the emergence of entrepreneurial universities would predate the enacting of the legislative reform (Lawton Smith 2007). What is more, with specific reference to the USA, which first introduced this kind of legislation (the over-quoted Bayh-Dole act of 1980), Florida and Cohen (1999) have noted a growing concern both among academics and industry about the “overzealous” pursuit of revenues through technology transfer on the part of the universities.

Considerations similar to those expressed for licensing activity can also be made in relation to universities’ capacity to favour the creation of spin-offs. The already quoted study of six European universities shows that most of them possess a limited portfolio of spin-offs (around 15 in average), and some of these firms result “dormant” (Wright *et al.* 2008). Further

confirmations in this sense come also from a study of industry-university links in high-tech sectors conducted in Italian *Objective 1* regions (Pellegrin 2007). Interestingly, the two studies also agree in finding that, even when spin-offs are effectively created, they need to go rapidly international, losing their regional dimension.

This last element introduces the crucial question of how much localised university-industry links are relevant for knowledge diffusion processes. The first aspect which needs to be assessed is the aptitude of universities to play as “knowledge centres” for local industry. In this regard, from a significant number of empirical research it emerges that knowledge flows between university and local firms are normally weak, and that, even in the case of high-tech clusters developed around high-ranked universities, firms do not consider the proximity to the local research base as an important factor for knowledge interactions. For instance, a survey of seventy-five Oxfordshire biotech firms has found that “although being close to universities was the top locational advantage, universities were not the prime source of information: they were ranked 9th, behind conferences, competitors, friends, collaborators, ex-colleagues, trade fairs, the Internet, and other published sources” (Lawton Smith 2007, p. 106). These findings are consistent with the fourth Community Innovation Survey (CEC 2004), which has shown that only 5% of innovating firms indicated that universities were ‘highly important’ for innovation, compared with 28% who rated clients or customer as important.

Similar results come also from studies focusing on traditional SMEs, which should represent, in the RIS perspective, the main beneficiaries of local entrepreneurial universities, as they are the most dependent on territorialised resources (Asheim and Isaksen 2003). For example, inquiring a representative sample of 200 manufacturing (mainly SMEs) firms localised in Alsace, Héraud (2003) has found that the most important intermediaries of innovation are again clients and suppliers, followed by the participation in fairs and exhibitions. Universities and technology transfer centres are reported to be the last source of external innovation, and the author significantly argues that:

“these potential partners, that typically belong to the ‘technology infrastructure’ of the region, and are the ordinary intermediaries of public policies, were seldom quoted by the firms. We find here the most paradoxical situation since these ITIs, considered in the enquiry as minor actors of the innovative activity of the regional industry, are the more ‘regionalized’ category” (*Ibid.*, p. 46).

Another interesting result from Héraud’s research is then represented by the fact that innovative partners are predominantly localised outside the regional borders (only 25% is regional) and, especially with reference to the category of suppliers, “the [National System of Innovation] itself is even contested by larger systems” (*Ibid.*, p. 46). In similar terms, after reviewing a series of studies on the innovation sources of SMEs localised in peripheral regions, Lagendijk and Lorentzen (2007, p. 463) conclude that “customers and suppliers abroad were very important partners in the knowledge and innovation networks”, and that

these innovation sources were accessed mainly through temporary proximity events (meetings, fairs, etc).

Previous results are then mirrored in investigations conducted on the “university side”. In their comparative study, Wright *et al.* (2008) show that, although numerous government initiatives had been implemented to stimulate cooperative research between local SMEs and universities, 30-50% of contract research agreements stipulated by the surveyed universities were with international companies, located outside the region. Similarly, from a triple helix analysis of the relatively uncompetitive regions of Yorkshire and Humberside in the UK, Huggins *et al.* (2008) have found that, while universities do engage in collaborative knowledge networks with other universities or large firms, their interaction with local SMEs is far less significant. Moreover, even when universities are involved in knowledge transfer processes with SMEs, their relation seems to be eminently market-oriented, in the sense that “universities are either directly seeking a financial return from SMEs or are receiving it indirectly through government-funded programmes” (*Ibid.*, p. 331).

To sum up, these studies indicate that there exists a frequent mismatch at regional level between the research sphere and the local productive world. On this matter, in addition to the already mentioned survey on the regional sample, Héraud also presents the results of a cross-regional statistical analysis, aimed at testing the influence of regional scientific context on the nature of the “competence to innovate” of local firms. From the exercise it emerges that, in general, there is a statistical link between “regional scientific density” and the overall level of competences to innovate among firms. However, the link appears particularly significant only in high-tech sectors; in other sectors results are more contrasted, and in “in many cases the more ‘scientific’ regions are not even the best environment. [...] Such a statistical result proves at least that the hypothesis of systematic positive correlation between innovative competence and quality of regional scientific environment must be rejected” (*Ibid.*, p. 51).

In this perspective, it is meaningful that Cooke *et al.* (2000, p. 133), who insistently stress the importance of university and technology transfer, in their study of over 1000 big and small firms in eleven European regions have found that: i) most of the surveyed SMEs were excluded from regional technology transfer initiatives; ii) the regional supply of expertise did not often match the innovation bottlenecks experienced by firms; iii) in general, the strengths of universities and technology transfer structures did not “necessarily correspond to the industrial strengths of the regions”.

Overall, the above outlined review suggests two important considerations.

The first concerns the effectiveness of policies fostering localised university-firms links. While universities certainly have a socio-economic impact at local level, previous studies question the supposed role of universities as pillar of techno-industrial agglomerations. More

precisely, they show that, although this role has been played in some well-known cases, it is nonetheless contingent upon a plurality of historical, political and socio-economic factors, which are difficult to replicate (Lawton Smith 2007).

Among these factors, the most important is probably represented by the presence of an industrial web which is able to absorb technologies and graduates generated by the local university (Florida and Cohen 1999). However, previous researches also suggest that this condition, although necessary, is not sufficient. In fact, firms (including SMEs) seem to rely on knowledge networks which are functional to their productive specialisation, and which consequently may or may not include universities, and not necessarily local university. Similarly, even when universities perform commercial activities, they do not necessarily focus on the local level (and it would be odd if they did so, since there are not economic agents who try deliberately to limit their economic activity to local level). For these reasons, Lagendijk (2002), Huggins *et al.* (2008), and Lawton Smith (2007) are probably right to observe that the engagement of firms and universities in regional networks depends more on specific policy initiatives (and incentives), than on new spatial-economic imperatives.

In addition to this, the claim for a downscaling of science policy at regional level is doubly problematic. Firstly, a greater responsiveness of universities to regional needs may clash with the university's primary function, which is the pursuit of excellence in research and teaching (Power and Malmberg 2008). In fact, it can be argued that, if regional knowledge needs are typical of a low-tech or traditional industry, an excessive focus of university on the local level may affect negatively its research standards. Moreover, this may also diminish its attractiveness for international "star" researchers and students, who, in turn, are deemed one of the key factors for local success. Secondly, and more in general, several authors have pointed out that regionalisation of science policy can pose problems to the criteria according to which science policy is assessed and funded (Perry and May 2007), and can be conflicting with national priorities, leading to redundancies and inefficiencies (Héraud 2003; Koschatzky and Kroll 2007).

For all these reasons, many authors cast doubts about subsidising R&D, science parks and scientific poles as an appropriate strategy for local development, especially in less favoured regions which lack the necessary conditions (Amin 1999; Boschma 2004; Breschi and Lissoni 2001; Lawton Smith 2007; Saxenian and Hsu 2001). In this sense, after analysing a series of disappointing innovation policies in some French and German regions, Koschatzky and Kroll (2007, p. 1125) conclude that "regional actors should be discouraged from understanding their science, technology and innovation policy as a substitute or a complement for regional policy aimed at equalization".

However, the previous literature raises also another, more fundamental question, concerning the prioritisation of regional links in RIS and Triple Helix models. As Power and Malmberg (2008, p. 243) have argued, while the three components of regional innovation

system (business, academia and support services) certainly contribute to regional development, they are nonetheless “to a large extent globally defined and developed by means of the successful nurturing of global links” (*Ibid.*); accordingly, they conclude that the problem of regional development “might not be regional after all”. This last observation points at the very conceptual core of new regionalist perspective, questioning its explanatory capacity. In the next section, we will draw on this point to discuss the spatial conceptualisation underpinning new regionalist accounts.

### *1.3.2 Questioning new regionalist spatial conceptualisation*

We have just seen that there are consistent empirical findings which challenge the universal significance of university for local development; also, specific concerns have been raised about the opportunity to use science policy as a regional development tool, especially in less favoured regions. We have concluded by observing that, on the basis of this literature, it is also possible to discern substantial theoretical problems in the RIS and Triple Helix models, especially with regard to the role of spatial proximity.

In this sense, a growing number of authors have critically contended that the link between spatial proximity and collective learning is too vague, as there is “little research on ‘actual learning processes’ to give support to the claims about ‘localized learning’” (Oinas 1999, p. 364), and that explaining clustering through knowledge spillovers actually means presuming what has to be demonstrated (*Ibid.*; Breschi and Lissoni 2001).

From a more analytical stance, Boschma (2005) emphasises that proximity is a multi-faceted concept, and that spatial proximity is neither necessary nor sufficient to interactive learning, as other forms of proximity (such as cognitive or organisational) are simultaneously needed, and, on the other side, they may act as substitutes for the spatial one.

This line of reasoning is consistent with the argument advanced by Torre and Rallet (2005), who urge to distinguish geographical from spatial proximity. While the latter refers to physical distance, the concept of geographical proximity concerns precisely the way in which distance can be bridged through mobility and the sharing of some interpretative codes (“logic of similarity”). Accordingly, they point at the significance of temporary co-localisation events (such as meeting, conferences, etc.) for the circulation and diffusion of knowledge. The importance of temporary proximity, as an effective social practice to access non-local knowledge and overcome long distance, is stressed also by Bathelt and Scudt (2008), who specifically focus on the complex information and communication ecology characterising these events, and on their consequences for global buzz (re)production (similarly also Lagendijk and Lorentzen 2007; and Power and Jansson 2008).

The influence of non-local interdependencies and the consequent problematic definition of the right scale to analyse innovation processes is also at the centre of Martin and Sunley’s

analysis (2006, p. 414), who recommend not to “fetishize place”, suggesting that the profound recursive interpenetration between exogenous and endogenous forces may make their distinction “artificial”.

The last quotation from Martin and Sunley about the interpenetration between exogenous and endogenous puts forward a further critical contention to new regionalist conceptualisations, which concerns the local-global dialectic. Two diverse arguments have been particularly formulated in this regard.

On the one hand, the embeddedness of local knowledge networks and interpretative convergence allegedly favoured by the local milieu is disputed. For instance, in a critical review of the econometric literature on knowledge spill-overs, Breschi and Lissoni (2001) have convincingly argued that what on the surface appears as a knowledge externality (the local leaking of knowledge from universities and firms), to a closer observation it appears as knowledge transfer mediated by market mechanisms (relating to the mobility of researchers). Focusing more on the cognitive content of local relations, in a network analysis of three wine clusters Giuliani (2007, p. 140) finds that, while business linkages are effectively diffused within the clusters, innovation-related knowledge circulates in “a selective and uneven way, a property that reflects the different internal capabilities of firms to transfer and absorb knowledge”. According to the author, these findings raise doubts about the importance of local environment as a source of competitiveness, and re-cast the attention on the role played by firms in shaping the networks “that eventually favour cluster firms’ innovation” (*Ibid.*, p. 163). Giuliani’s results also chime with Boschma’s observation (2005) that relevant knowledge (included tacit one) tends to circulate within a-territorial networks which, even when localised, may assume an exclusionary nature (similarly Breschi and Lissoni 2001).

On the other hand, different studies demonstrate that innovation systems can emerge through networks connecting distant localities. As Saxenian and Hsu (2001) have shown in a study on the socio-economic links between the Silicon Valley and Hsinchu region in Taiwan, the development in the latter of an excellence high-tech cluster has strongly depended on the emergence of a “technical community” of US-educated Taiwanese engineers, which bridges the two localities through a complex architecture of business links, social networks, and shared technical know-how. According to the two authors, this dense social web and the increasing number of “astronaut” engineers travelling regularly between the two regions play a central role in coordinating economically and technologically the two systems in a way which is beneficial for both. In a similar perspective, Coe *et al.* (2004) describe the functioning of the BMW’s world production chain to illustrate how global production networks are essential to trigger local development processes, insofar as they constitute an important mean through which local resources are mobilised and enhanced.

Also Lagendijk (2004) emphasises the role played by global networks which, by interconnecting different locales, influence their scope for development. In another article on the wine industry, this time focusing on the role of “flying winemakers”, Lagendijk shows that this professional category of expert oenologists, travelling around the world to advise local winemakers, has been crucial for the world-wide diffusion of technical know-how concerning grape cultivation (i.e. something inherently tacit), but also market strategies and trends. More importantly, through this circulation, flying winemakers play a key role in creating global imaginations and tastes in the wine markets, and in constructing the identity of a wine area, thus ultimately determining its success. The author concludes by noting that, although global, the world of wine production is still a social world, based on conventions, codes, and symbols.

For these reasons, the market and the social cannot be conceived as two distinct entities existing in separate space. But the market is not simply “embedded” in the society either; as Callon (1999) has convincingly shown, the market is an historical and social construction, which requires precise regulative procedures, technical devices, material investments and theoretical elaborations to be realised. In other words, as a physical or (now increasingly) virtual space where competitive behaviour can occur, the market is always socially constituted.

Recapitulating, these theoretical reflections and empirical findings make problematic the spatial reading offered by new regionalism. What is at issue here, from a theoretical point of view, is the attribution of intrinsic properties to some spatial concepts (regions, distance, place, etc.) (Lagendijk 2006). In the following section, we will consider how this perspective has been completely reversed by approaches which point at considering spatial structures not as the manifestation of an immanent reality, but as the results of social practices.

### *1.3.3 Local development from relational perspectives*

We have just seen that the significance of the analytical distinction between “near” and “far” as bearers of different knowledge content (codified and tacit) is theoretically and empirically questionable. It follows that also the ontological differentiation between “local” and “global” in terms of their relational specification (cooperative and competitive) and of their spatial effects (differentiation and homogenisation) can be challenged.

Drawing also on these considerations, approaches adopting a relational perspective have in particular suggested changing the analytical lens, to observe how space is constantly (re-)constituted in an ever-changing fashion through the relations agents develop among each other (Massey 2005), and to focus on the means (linguistic, technological, organisational, physical) which enable or hamper such relations.

Therefore, according to Amin and Cohendet (2004, p. 84) this approach calls for an “expanded definition of space”, which recognises its varied composition (in terms of mobility, communication, nodality, etc.), beyond the importance of territorial ties. But it also suggests a new geographical map, topological rather than territorial, where “near” and “far” are no more (or not only) a matter of scale gradients or physical distance, but they come to indicate the connectivity and extension of relational networks (Amin and Thrift 2007).

This vision clearly entails also a different interpretation of the space of knowledge creation and diffusion. All the empirical works reported in the previous section point at the importance of networks, for their double-edged capacity to connect and exclude from knowledge flows. They also stress the centrality of firms and, more in general, organisations for network structuring, thus questioning the alleged subjectivity of local environment in shaping knowledge relations (Giuliani 2007; Oinas 1999). In this sense, Amin and Cohendet (2005, p. 467) argue that, although knowledge work in global connection is not the same as it is in local ones, corporate-, community-, and other forms of distanced networks “replicate more of the “buzz” normally assigned to local networks than we think, and that the differences between the local and the global may be more a matter of differences in the organizational architecture and topology of the learning networks, than in the nature of the learning that is going on”.

Such a reframing of the space of learning and knowledge creation has two important implications. Firstly, it indicates that there is no more a privileged scale for learning and innovation, since networks are “spatialized but not confined to certain scales” (Lagendijk 2002, p. 85) and display a varying spatial composition and reach. Secondly, and distinguishing relational perspectives from other approaches similarly focusing on networks, attention is directed not only towards the way in which knowledge circulates across networks, but also - and more importantly - on circulation itself, as “a core element of the ontology of knowledge formation and accumulation that is, of the build up of competence and expertise as well as their mobilization in learning” (Amin and Cohendet 2005, p. 481).

Consequently, this perspective leads to reformulating the sense of the term “local”, in the “local development” diade. Indeed, locales and regions are not more conceived as bounded and coherent units but, on the contrary, they are re-imagined as places of overlapping networks of varying extension and heterogeneous morphology (Amin 2004; Uyarra 2007). Accordingly, the extent and duration of local development processes are seen as the result of the “position and profitability of individual firms in their respective wider circuits” (Amin *et al.* 2003, p. 25), rather than as the effect of the upgrading of local interconnections. In this perspective, some human, natural and cultural resources are still understood as embedded in local contexts, but their value and meaning is now “contingent upon how and by whom they are enrolled” (Lagendijk 2002, p. 88). More generally, the relational nature of space always entails “situations of mutual implications” in the various development trajectories of places, so



that the uneven geographies of development cannot be really comprehended without carefully considering the asymmetries and power geometries which characterise spatial relations (Massey 2005).

Therefore, from a relational stance it is suggested that local development policies should focus less on bridging local sources of knowledge and production - which, as seen above, have not necessarily a local dimension - and more on “making sense of knowledge - in all its forms - as an immanent and circulating force” (Amin and Cohendet 2005, p. 481). In other words, the challenge for regional policy-makers becomes to understand where local organisations, enterprises and communities fit into chains of value creation connecting different places (Lawton Smith *et al.* 2003). Consequently, especially in less favoured and peripheral regions, policies should aim at improving the density and quality of integration of individuals and collective entities in relevant relational systems, by favouring their access into this geography of circulation (Lagendik and Lorentzen 2007; Bathelt 2006). This means targeting primarily the infrastructures - material and immaterial - which strengthen connectivity: for instance, development policies could promote the integration of the regional economy into logistics networks, by financing the creation of infrastructure for intermodal goods exchange; but this would also entail supporting firms to acquire the technologies and know-how needed to exploit logistics potentialities (as regards tracking devices, GPS technologies, etc.). Enhancing connectivity may also involve assisting firms in taking part in international fairs, expos, and more generally in all those settings which, as Lagendijk (2004) has shown, are an essential element in the emergence of market trends, codes, interpretative frameworks, etc. Assisting firms in this field, then, means providing financial support schemes, but also helping them develop the competences (linguistic, technical, formal) to make sense of this participation. Furthermore, if networks are organisationally rather than territorially constituted (Amin *et al.* 2003), policies should facilitate firms to find suppliers, knowledge providers or financing partner by enhancing their “projection capacity” in the external environment, regardless if the supplier/partner is localised or not in the same region.

These are just some examples of an alternative local development policy based on a relational perspective, and they remain strictly indicative. Indeed, a relationally-imagined development policy is still “context-sensitive”, not in the sense that it looks at local connections, but rather because it points at identifying the varying articulation of the geography of circulation and of its accessibility conditions (in terms of enabling infrastructures, codes, competences, culture, etc.) across industries, social groups, economic stratifications, etc. As Gibbons *et al.* (1994, p. 164) have observed, if knowledge production is increasingly socially distributed and spatially dispersed, this does not entail that it is distributed and dispersed in an equal manner; consequently, the economic benefits stemming from the growth in knowledge interconnections will be disproportionately absorbed by those actors and those places which are better equipped and located to participate in the economy of flows.

Finally, this also involves recognising that networks may be asymmetrical in terms of power relations. It follows that local development policies are also a matter of exercising “nodal power” (Amin 2004), which means considering the importance of other dimensions - apart from the market forces - in the production of territorial inequalities. Concretely, this perspective has two main consequences. Firstly, it calls for a greater attention to the unequal spatial effects generated by sectoral policies (Héraud 2003; Perry and May 2007; Uyarra 2007). Secondly and accordingly, it points out the significance (and the difficulty) of influencing those nodes, whose decisions may have an immense - but again spatially differentiated - impact over long distances. In this sense, the most typical examples are represented by the decisions over interest exchange rates taken by central banks, or the investment decisions by important financial institutions and governments; but these decisions can be also less evident and the organisations less well-known, such as for example the committees which, on the behalf of the European Commission, set the technical specifications<sup>9</sup> for industrial productions and which can constitute important entry-barriers for many SMEs both inside and outside the EU.

To conclude, a radical critique is derived from previous arguments about the possibility that territorial imbalances can be tackled only through strategies aiming at boosting endogenous potential, as they neglect important dimensions (and spatialities) of modern economy. Accordingly, relational approaches also call for policies which, besides the attention to local specificities, solicit a substantial distribution of economic resources and dispersion of decisional power, as an essential strategy to address the sources of inequalities.

In the next and last section, it remains to explore in which way this approach necessarily leads also to a radically different conception of local governance.

### *1.3.4 Towards an alternative politics of local development*

In the previous section we have examined how relational approaches challenge new regionalism in an essential point, namely the idea that the local and global are ontologically different and that regions can be characterised as self-contained units. Clearly, imagining regions as “perforated entities” of changing composition (Amin 2004, p. 34) also demands that we reconsider the new regionalist governance framework. In particular, two main problems should be discussed.

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<sup>9</sup> Standards are voluntary agreements which establish important production criteria for products, services and processes. Within the EU, standards are created by one of three official Standard Organisations. Theoretically speaking, the process of standard creation is open to anyone, but given the high technical complexity of the matter, it is well known that Standard Organisations are often influenced by bigger companies, which have the financial means to afford for experts. If standards are based on voluntary agreement, once endorsed by the European Commission, they become binding for all producers, outside or inside Europe, who want to sell their products within the Single Market.

The first issue concerns the definition of the scale of governance, and particularly the sense of the regional level. In sections 1.2.2 and 1.2.4 we have seen that new regionalism identifies the region as an essential level of economic co-ordination and, accordingly, assigns regional political institutions the task of steering and - to a certain extent - of generating a regional governance of economic development; that is, it assigns regional authorities the mission of creating a regional institutional system, based on the interconnection between the academic and the productive spheres, which is apt to implement new regionalist policy models. However, on the grounds of the previously outlined arguments, this stance appears doubly problematic.

On the one hand, it has been observed that networks assume a varying spatial extension and, as a consequence, the scalar (and especially regional) definition of socio-economic relations cannot be presupposed (Lagendijk 2002). Accordingly, under relational approaches, scale "is no more seen as a preordained hierarchical framework for ordering the world, but as a contingent outcome of structural forces and practices of human agents" (Gualini 2006, p. 885). Therefore, the first problem which would need to be theoretically and pragmatically addressed regards precisely the potential mismatch between the ever-changing geography of network formation and knowledge circulation on one side, and the traditional spatial configurations based on nested hierarchies of bounded institutional units on the other side (Swyngedouw 2004). Within this perspective, the EU MLG approach is also challenged, given the primacy it attributes to the regional institutional dimension. We will come back to this issue in the next chapter, but it is important to stress here that, as Gualini (2006, p. 890) has noted, the MLG concept bears an evident semantic baggage deriving from traditional territorial and hierarchical spatial conceptions.

But the prioritisation of regional scale for economic governance is problematic also for another set of reasons which concern the limits of political power of regional institutions. First, as many authors have remarked, new regionalism tends to downplay excessively the role of national level. Indeed, state dimension is found to be still significant for the differentiated territorial impact of governments' (tangible and intangible) investment decisions and national budget expenditure (Lovering 1999; Amin *et al.* 2003); also, national cultures and educative systems seem to matter more than regional ones to explain the overall technological and industrial specialisation of European Countries (De Bruijn and Lagendijk 2005). Second, as we have seen in the previous section, regional economies are significantly affected by decisions taken in centres of nodal power; as Amin (2004) has argued, regional institutions alone cannot have the capacity (financial, technical, intellectual, etc.) to counterbalance the spatial effects produced by some important trans-territorial forces.

The probable mismatch between the spatial configurations of modern economic relationality and the traditional institutional set-up, along with the consequent limits of regional

policies, is also related to the second major problem of new regionalist governance model, which concerns both the very object of regional governance and its methodology.

We have already observed that relational interpretations deeply question the idea that regions can be characterised as homogenous entities. On the one hand it has been stressed that regional identities are - like all identities - always discursively constructed, and that, consequently, the emergence of a "Europe of regions" narrative responds more to the strengthening of some interests than to new spatial-economic imperatives (Paasi 2001; Lagendijk 2002). On the other hand, by drawing attention to the topological space generated by networks, relational approaches also point at the significance of other kinds of borders, besides the territorial ones, for explaining processes of spatial differentiation (Amin 2004).

Overall, these arguments cast doubts on the possibility that different regional interests can be composed in a common regional development plan aiming at boosting innovation, in which each actor is supposed to take advantage thanks to his/her being part of a coherent system. Accordingly, these arguments also question the appropriateness of consensus-building as main governance methodology, warning against the depoliticisation or, worse, instrumentalisation of interests which can be hidden behind the consensus imperative (Amin 2004; Gualini 2006; Swyngedouw 2004); as Pike (2004, p. 2157) has observed in an analysis of new regionalist policy strategies in the UK, this imperative can lead to a:

"hermetically sealed' policy universe [which] risks foreclosing debate, ignoring dissent, and marginalising discussion of alternatives concerning the fundamental questions of what kind of economic development is desired and for whom. Such value-laden questions are inherently conflictual and may require not more technocratic sophistry but a renewed, democratised, and potentially progressive politics of economic development."

Therefore, relational approaches call also for a radically different interpretation of local governance, which starts out from conceiving of regions not more as "action units", but rather as "action spaces" (Gualini 2006). In this sense, Amin (2004) argues that the distinctiveness of a politics of place "as spatial phenomenon" lies precisely in the fact that it concerns a space where heterogeneous worlds overlap, thus generating different - and often conflicting - experiences and practices of the "same proximate turf". As a consequence, a relationally interpreted local governance should primarily recognise the "immanent effects of juxtaposition" (*Ibid.*), that is it should accept the intrinsically pluralistic and always contented nature of the local public sphere.

But, given the different spatialities characterising the networks which overlap on the local, the pluralistic public sphere which constitutes regions has also to be understood as "spatially diffuse and geographically mobile" (*Ibid.*, p. 40). So, on the one hand relational approaches refute the ontological significance of the "global", by pointing at how the economic and political forces impacting the local circulate within networks and conduits which are always territorialised. On the other hand, they also question the meaning of "local", by noting how the

action which insists and changes places is always necessarily dislocated in time and space (Latour 2005).

In this regard, it should be noted that relational readings of scale and governance differ from those advanced by new regionalism, but also from other geographical approaches which have investigated processes of state transformation. Studies on state-rescaling emerge in particular as one of the most prominent strand in this field. This line of inquiry rests upon a consistent body of works which, mainly drawing on marxist-regulationist approaches, identifies in a change of the predominant regime of capitalist accumulation the key to interpret the end of the centralised nation state, and of a related top-down redistributive-oriented regional policy (Trigilia 1991; Jessop 2002; Brenner 2009). More precisely, the political-economic transformations accompanying the end of the Fordist-Keynesian welfare state would have challenged the role of nation states as arena for socio-economic regulation, pushing them to re-articulate their traditional territorial-institutional architecture in two directions: destatalization (horizontal/functional delegation of policy-making functions to non-state actors) and denationalization (vertical/scalar shift of state authority to sub- and sovra-national bodies). Within this perspective, scale (of regulation) becomes thus an object of political struggles (Swyngedouw 2004); accordingly, the redefinition of regions as “spaces of competitiveness”, as well as the emergence of local development strategies and coalitions are interpreted as a spatial response to the increasing globalization pressures, and to the associated retreat of the nation state from its regulatory tasks. Such a response would then be often led by local business elites which, also by wittingly resorting to localist narratives, pursue a precise neo-liberal and supply-sided agenda revolving around raise in productivity, tax reductions and wages compression (Lovering 1999).

If, on the one hand, studies on state-rescaling have certainly produced some powerful “‘big-picture’ generalizations” (Brenner 2009, p. 127), on the other hand this perspective seems to subordinate excessively the scope of some programmatic initiatives to global capitalist transformations, thus sometimes leaning towards a sort of “functionalist determinism” (Keating *et al.* 2003, p. 3). In other words, this approach has some difficulty in recognizing the impact of actors’ and institutions’ strategic behaviour (Keating 2001) and, consequently, it would tend to overlook the autonomy and peculiarity of some institution-building projects (in fact, as Gualini (2004) has observed, state-rescaling literature has in general failed to take into account precisely the role played by the European Commission in carrying out a grand new-regionalist design). More importantly, by drawing on a territorial conception of scale (Jones and MacLeod 2004; Lobao *et al.* 2009), this strand does not easily distinguish new governance practices which, similarly to modern economic and knowledge relations, are intrinsically topological and fluid in spatial terms.

According to Gualini (2006), such new modes of governance would be particularly important and widespread in Europe. The trans-territorial approach to project designing and interest association, which marks (or, better, represents the condition to access) the EU polity,

would actually signal the emergence of a new - "type II" - form of governance. More precisely, type II governance would be characterised by an increasing overlapping of policy fields in thematic, spatial and jurisdictional (state/non-state actors) terms (Büchs 2009). Consequently, what is reworded in this context is actors' capacity of entering and interlacing different domains in a lateral and horizontal fashion. This new environment would thus challenge the traditional scalar and territorial ordering of statehood, as new governance arenas involving spatially dispersed actors are constantly created around emergent policy issues. However, this new mode would also challenge the control and accountability mechanisms which are typical of a "territorially based" conception of democracy.

Recapitulating, if locales are perforated by extended networks, and if local governance is necessarily stretched along innumerable directions, then the question arises of what ought to be the scope of the politics of local development, intended as the whole of institutional mechanisms, procedural rule, (accepted) confrontation spaces and issues, which should ultimately enable actors who share the same "proximate turf" to decide their development trajectory.

As we have seen in the previous section, according to relational perspectives innovation and development policies should concentrate on enhancing connectivity and nodal power. This then calls for institutional arrangements which allow the different realms of society where knowledge is produced - research laboratories, associations, craft workshops, practitioners' company etc. - to gather and discuss together on specific problems and choices. On the one hand, this would be coherent with the contextual nature of knowledge creation in modern societies (Gibbons *et al.*1994). On the other hand - and crucially - this would foster the emergence of the diverse economic, cognitive and spatial needs and interests which characterise different social groups, so that decisions over resources allocation, rules, etc., would be the result of clear political discussions. In other words, from a relational stance, institution-building is not about recentralising innovation and industrial policy at regional level but, on the contrary, is about finding the socio-institutional practices to make "the invisible register of political life visible" (Amin 2004, p. 40). In terms of methods, this means fostering engagement and involvement - rather than consensus - as typical procedural dimensions, in order to expand and maximise the opportunities for identifying and discussing alternative political choices, as well as the different interests attached to them.

To conclude, in these sections we have seen how, drawing on a diverse and expanded spatial conceptualisation, relational approaches reverse the new regionalist logic from the roots, suggesting an alternative content to regional development policies based on an alternative political approach. In this sense, we have also observed how the two dimensions - substantive and procedural - are necessarily and intimately linked.

In the next chapter, I will thus build on relational reasoning to formulate the research questions which will concern a specific EU programme in the field of regional development. However, relational approaches pose also new theoretical and empirical issues as regards both the more accurate definition of different “institutional arrangements” and their compatibility - or clash - with traditional administrative organisation and institutional practices. In this sense, the present empirical inquiry will be also in part dedicated to pinpointing and exploring such issues.

## CHAPTER II: THE RELATIONSHIP BETWEEN NEW REGIONALISM AND THE COHESION POLICY

### 2.1 Introduction

Several authors have emphasised how, starting from the second half of the 1990s, new regionalist approaches have become the reference paradigm for the elaboration of regional development policies in many Countries (Lovering 1999; Hudson 1999; De Bruijn and Lagendijk 2005; Pellegrin 2007; Painter 2002). Both the substantive propositions (university-firm relations, cluster building, etc.) and the governance methodology (public-private partnership, consensus, etc.) of new regionalism have then been strongly fostered by important institutional organisations, such as the OECD (OECD 1998, 2001, 2008). This trend has been particularly marked in the European context, where the EU, through the regional dimension of its Cohesion Policy (CP), has greatly contributed to disseminating new regionalist conceptualisations among European regional policy-makers.

We have already mentioned in the first chapter (in particular sec. 1.2.4) that there exists a mutually reinforcing relation between new regionalism and the EU Regional Policy: on the one hand, the adoption by the EU has contributed to actualise new regionalist visions and, on the other hand, the EU regional policy has represented - to a certain extent - an experimental field for new regionalist policy models. In this chapter we will therefore consider in which way the EU has absorbed new regionalist indications and in which sense it has constituted a "playground".

We can anticipate here that the transposition of theoretical elements in the concrete policy has not been - obviously - a linear process. The EU has mediated new regionalist perspectives in a way which was functional to the realisation of its MLG framework and, more generally, regional policy has been surely influenced by other approaches and political imperatives. However, there are clear correspondences as regards to some grounding ideas, and such correspondences increase significantly when we consider the content of policy strategies fostered by the EU. These parallelisms thus justify the theoretical discussion proposed in the previous chapter and allow us to raise specific questions on the basis of the critical contentions outlined in the last part.

The chapter is then organised as follows. In the next section we will see how the EU regional policy has derived from new regionalism the main rationales, namely the idea that regional competitiveness based on innovation strategies can increase aggregate growth while reducing territorial disparities. Subsequently, we will see how regional policy is coherent with - and contribute to - the realisation of the wider MLG framework designed by the EU. The third part will be dedicated to examining the content of the CP and we will consider in detail a specific programme implemented under the CP in the previous programming periods which, although limited in terms of budget, has been conceptually meaningful and strategically



crucial. In the last part, I will highlight some problematic aspects of the Programme and I will define the main research questions.

## 2.2 Rationales of the EU regional policy

There is general agreement among scholars and policy-makers that the original rationale for the establishment of the Cohesion Policy at the end of the 1980s was to counterbalance potential “side-effects” generated by the programmes for the completion of the internal market and the introduction of a common currency (Amin and Tomaney 1995; Maiarte 2006; Leonardi 2006). Indeed, during the period which preceded the establishment of the CP, the European Commission presented several reports which warned about the concrete risk that the process of market integration could have led to a substantial increase in regional disparities across Europe (Leonardi 2006; DG Regio 2008).

In its early formulation in 1988<sup>10</sup>, the Cohesion Policy envisaged essentially two different forms and two different causes of territorial disequilibrium. The first form concerned those regions characterized with a long-term condition of industrial under-development (the so-called *Objective 1 Regions*). These regions were basically located in the geographical periphery of Europe (Greece, South Italy, Iberian Peninsula, Ireland, and, later, also the former East-Germany); their condition was fundamentally explained in terms of poor infrastructural endowment, and, therefore, of marginality and “disconnection” from the economic flows connecting the most developed regions. Consequently, Structural Funds in these regions were mainly directed to the improvement of infrastructures (in transports, energy and telecommunications), and to their connection with the networks of more “central” regions. Along with such improvements, the other main area of intervention of SF in “lagging behind” regions was providing support to the industrial system, through direct incentives to firms. The combination of these two strategies was expected to reduce the “structural” deficits hampering the development possibilities of the regions concerned, thus generating a convergence trajectory<sup>11</sup>.

The second type of problematic area envisaged regarded regions (the so-called *Objective 2 Regions*) which were characterised with high rate of employment in mature industrial sectors, and which were undergoing severe processes of industrial restructuring. For these areas, interventions under SF mainly aimed at supporting industrial modernisation, and at re-training exceeding workforce.

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<sup>10</sup> The first formulation of the Cohesion Policy is formally regulated by the Council Regulation (EEC) n. 2052/889.

<sup>11</sup> On this regard, article 3 of the 1988 EU's regulation on structural funds (Reg. (EEC) n. 2052/889) clearly stated that the *European Regional Development Fund* “shall in particular provide support for: (a) productive investment; (b) the creation or modernization of infrastructures which contribute to the development or conversion of the regions concerned”

Starting from the mid-nineties, the European Commission abandons progressively the previous analytical framework, to adopt new regionalist perspectives. Indeed during its first ten years CP aimed at achieving socio-economic convergence through a reduction of the infrastructural deficit and/or industrial reorganisation of less favoured regions *in relation* to the most developed ones. However, with the reform of 1999, the focus shifts to the endogenous potential of regions, now *singularly* considered. Therefore, while keeping the spatial categorisation of problematic areas unchanged, the new regulation on Structural Funds (Reg. (EC) n. 1260/99) and, especially, the Commission's *Guidelines on the use of Structural Funds* (CEC 1999), delineate a new model to tackle regional imbalances, which, echoing new regionalism accounts, puts explicitly at the centre of its action the nexus between growth, innovation and systematic integration at regional level. In this sense, the Guidelines for the 2000-2006 programming period state that:

“In general, successful regions will be those that take a strategic approach to innovation and offer help to companies to integrate their own resources and expertise with those of government agencies, higher and further education, business support organisations and other companies for the effective management of new technology, research and development, and product and process innovation” (CEC 1999, p. 15).

The previous quotation reflects quite clearly the new regionalist understanding of the sources of local development. More generally, from new regionalism CP derives two essential analytical elements. The first concerns the idea that this new framework for regional development is a necessary response to the combined effect generated by the pervasiveness of globalisation forces and the advent of the knowledge economy:

Globalisation is resulting in stiffer competition on account of the greater integration of markets [...] The transition to a knowledge-based economy and the promotion of the use of new technologies in regional economies as a whole are, therefore, becoming priorities” (CEC 2001a, p. 2).

The second element is related to the identification of regional level as “particularly appropriate for mobilising a critical mass of partners” (*Ibid.*), and to the consequent emphasis on co-operation and cohesiveness in designing local development strategies<sup>12</sup>.

In the following - and current - programming period (2007-2013), the new regionalist logic of the CP is confirmed and further strengthened. On the one hand, there is a renewed stress on the “growth of the knowledge economy by research and innovation capacities” (Council Decision 2006/702, p. 14), which becomes the second priority axe of intervention under Structural Funds (see sec. 2.4.1 for a detailed analysis of this approach). On this regard, it is interesting to observe how the nature of the expenditure supported by the Structural Funds has progressively shifted from “hard” to “soft” infrastructures. Indeed, while in the first two

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<sup>12</sup> In a Communication, titled *The regional dimension of the European Research Area*, the Commission states that: “local action should start from [...] the definition of common strategic objectives. All local players should be integrated in the regional strategy, including the regional authorities, the private sector, academic and RTD institutions, social partners and the civil society” (CEC 2001b, p. 9).

programming periods (1988-1993; 1994-1999), one-third of the total funds was directed to financing transport infrastructures, this share has currently decreased to approximately one-fifth (DG Regio 2008). Conversely, the expenditure for the improvement of R&D capacity and the creation of technology-transfer centres has increased from a 4% in average in the first programming period, to approximately one-fourth of the total budget in the last generation (Pellegrin 2007; Technopolis 2006).

On the other hand, the idea of “cohesion through competition” is given full recognition. This represents a crucial aspect, and it may explain - at least in part - the convinced adoption of new regionalist conceptualisation by the EU. Indeed, in the previous chapter (sec. 1.2.3) we have seen that new regionalism promises to reconcile the imperatives of competitiveness and equity, thus attaining a greater wealth for all. The aspiration for achieving such a “perfect” coupling has been clearly expressed by the European Commission in the following terms:

“the regional dimension is essential to improving European competitiveness and innovation. The Commission’s proposed new *cohesion policy addresses persistent regional disparities in these fields by making competitiveness and innovation an explicit and central basis for Structural Fund intervention*” (CEC 2005, p. 10; emphasis added).

Recapitulating, as Pellegrin (2007, p. 208) has noted, the latest generations of CP have witnessed a progressive re-centring: the targets remain equity and efficiency “but in the context of a shift of the policy focus from redistribution to competitiveness” (*Ibid.*, p. 208). This vision has been confirmed also by a European Commission’s officer in a recent article, in which he maintains that CP cannot be only a redistributive mechanism, but has to perform an allocative function as well, since “a transfer of financial resources from the richest to the poorer regions would lead to a loss of output at the EU level, since the latter are less productive than the more prosperous ones and have lower returns on investment” (Maiarte 2006, p. 171).

In terms of the broad architecture of the CP, this shift has entailed an important spatial consequence. In the new programming period, the former “Objective 2” has been in fact substituted with the new *Regional Competitiveness and Employment Objective*, which covers all the EU regions with an average GDP per person above the 75% of the EU average. That means all EU regions not covered by the *Convergence Objective* (former Objective 1, which has kept the same identification criteria). Although the access of wealthier regions to funds under the new Objective 2 is modulated according to their socio-economic condition, this “spatial expansion” of the CP coverage reflects the swing from a relative definition of territorial disequilibrium, to an absolute one based on the competitive potential of regions. In other words, since all the regions have to compete in the international environment, there is no more a determinant reason to limit the contribution of SF to less developed areas. As the former Commissioner for Regional Policy, Ms Danuta Huebner, has clearly claimed in her forward to the *Fifth Progress Report on Social and Economic Cohesion*:

“European Cohesion Policy supports key investment, particularly in R&D and innovation, in the most developed regions of the Union, which face their own competitive challenges in global markets. Although these regions invest three times as high a share of GDP in R&D as the less developed regions do, they continue to lag behind their world competitors in terms of both public and private R&D expenditure” (CEC 2008, p. 3).

In conclusion of this analysis of the CP rationales, a quick reference to the current debate on the future of the Policy - and in particular to the positions put forward by the *Barca Report* (see note n. 2) - might be opportune. In this regard, it must be observed that the Report questions in part the idea that a greater cohesion can be achieved through enhanced competition; indeed, it claims for a clear distinction between efficiency and social inclusions objectives, as they might clash with each other and, in any case, they require different kinds of interventions. Also, the *Report* pays a greater attention to the role that functional and economic “interdependencies” between places play in determining situations of uneven development. However, the “place-based policy” approach fostered by the *Report* fully remains within an endogenous and self-contained conception of development<sup>13</sup> (see also sec. 2.2 and 2.4.3). Consequently, it reaffirms that the main *raison d'être* CP cannot be redistribution, but rather unlocking the potential of regions through a more efficient use of local resources. In this light, it also supports the present approach as regards the distribution of funds to wealthier regions, on the grounds that these regions might encounter inefficiency and social inclusion problems too. So, although the political discussion at EU level on the future of the CP is still in progress (no official document on this matter has been issued by the Commission yet), we can hardly expect a substantial departure from the essential elements which characterise the current model.

To sum up, in this section I have tried to make clear how the CP has derived from new regionalist perspectives the spatial framework and the rationales for a regional policy centred on innovation and competitiveness. In section 2.4 we will consider which concrete policy actions are supported by this scheme (i.e. what kind of “soft measures” are fostered). But before that, we will examine how the regional dimension of the CP is entangled with the MLG framework designed by the European Commission.

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<sup>13</sup> In the *Report's* words: ““A place-based policy is a long-term strategy aimed at tackling persistent underutilisation of potential and reducing persistent social exclusion in specific places through external interventions and multilevel governance. It promotes the supply of integrated goods and services tailored to contexts, and it triggers institutional changes” (Barca 2009, p. vii).

## 2.3 The EU regional policy in the framework of the EU Multi-Level Governance

In this section we will analyse how the EU regional policy is framed within a wider discourse on European governance (next subsection), and which institutional mechanisms regulate the formulation and delivery of regional development strategies under the umbrella of the Structural Funds.

This analysis is important for two reasons: firstly, it helps to understand the wider political perspective in which EU regional policy is located; secondly, it makes clearer which politics of local development is concretely fostered through the EU regional policy.

### 2.3.1 Framing the EU regional policy in the European discourse over governance

The European “doctrine” on governance has been formulated by the European Commission in an White Paper adopted in 2001 (CEC 2001c).

The White Paper was intended to respond to a growing number of critiques questioning the degree of democracy and transparency of the European political process. If on the one hand the White Paper constantly draws attention on Member States’ responsibility in creating the perceived “democratic deficit”, on the other hand it also recognises that there is a “lack of clarity” about many aspects, especially as regards the weight of particular interest groups and the role of experts<sup>14</sup>.

As a consequence, the White Paper envisages a series of interventions to open up “the policy-making process to get more people and organisations involved in shaping and delivering EU policy” (*Ibid.*, p. 4). In this perspective, different institutional reforms are proposed in order to widen the spaces of participation both to local political actors, and to the civil society. This latter is identified both in its traditional manifestations (trade unions and employers’ organisations, professional associations, etc.) but also - and interestingly - in new forms of aggregations organised around networks, communities, etc.

In general, the proposed reforms are meant to satisfy “five principles of good governance”: openness, participation, accountability, effectiveness and coherence. These principles are then supposed to “reinforce those of proportionality and subsidiarity”, thus contributing all together to increase the degree of inclusiveness of policy-making and, consequently, its effectiveness (*Ibid.*, p. 5).

Within this framework, a greater involvement of regional levels of government in the European policy-making is indicated as a key condition to realise the outlined governance model, and some policies - in particular CP and Agricultural Policy - are identified as the main device through which forcing national governments to leave a wider space of manoeuvre to

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<sup>14</sup> In this regard, the White Paper clearly states that: “Public perceptions are not helped by the opacity of the Union’s system of expert committees or the lack of information about how they work. It is often unclear who is actually deciding - experts or those with political authority” (*Ibid.*, p. 19).

sub-national institutional layers. In addition to this, the Commission assigns local governments the role of primary interface with citizens for the translation of EU policy<sup>15</sup>. In other words, the Commission seems to find in local governments a (co-interested) partner for a strategy aiming at achieving political legitimacy *vis-à-vis* national governments and public opinion.

In this perspective, MLG becomes both an operative concept and a playfield in which to discuss the re-articulation - and re-distribution - of political functions and powers in Europe; the White Paper thus concludes stating that:

“The White Paper has highlighted a tangible Europe [...] based on multi-level governance in which each actor contributes in line with his or her capabilities or knowledge to the success of the overall exercise. In a multi-level system the real challenge is establishing clear rules for how competence is shared – not separated” (*Ibid.*, p. 34).

However, apart from the previous quotation, the White Paper does not discuss further the sense of the MLG system. Indeed, while representing mainly the Commission’s view, the White Paper also constitutes a “synthesis document” which collects and mediates the bulk of opinions arrived from a plurality of stake-holders during the consultation which preceded the publication of the document. Therefore, in order to better understand the Commission’s position on the MLG system, it is worth considering two thematic “reports” annexed to the White Paper, which deal in particular with the issues of multilevel-governance (4c), and of decentralisation (3b)<sup>16</sup>.

The report on multi-level governance is probably the most interesting, not least because it recognises that there are critical aspects in the emerging MLG system.

Firstly, the report admits that there is no clear definition or common interpretation of the principle of subsidiarity<sup>17</sup>, and that, consequently, “the debate on multi-level governance is becoming difficult and skewed in the sense that the participants choose the interpretation of subsidiarity which favours them, often leading to a dialogue of the deaf” (CEC 2001c -4c, p. 5).

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<sup>15</sup> In the words of the White Paper: “regions and cities often feel that, in spite of their increased responsibility for implementing EU policies, their role as an elected and representative channel interacting with the public on EU policy is not exploited” (*Ibid.*, p. 12).

<sup>16</sup> The alpha-numeric codes identify the working groups which elaborated the report. The working groups included exclusively Commission’s staff. Their complete titles of the two reports are: *Multi-Level Governance: linking and networking the various regional and local levels (4c)*, and *Decentralisation - Better involvement of national, regional and local actors (3b)*.

<sup>17</sup> The principles of subsidiarity and proportionality are recognised and defined in the Treaties establishing the EU and the EC since the Treaty of Amsterdam of 1997. The article 5 of the new Treaty of Lisbon defines the two principles in the following terms: “Union competence is governed by the principles of subsidiarity and proportionality [...] Under the principle of subsidiarity, in areas which do not fall within its exclusive competence, the Union shall act only if and insofar as the objectives of the proposed action cannot be sufficiently achieved by the Member States, either at central level or at regional level, but can rather, by reason of the scale or effects of the proposed action, be better achieved at Union level. [...] Under the principle of proportionality, the content and form of Union action shall not exceed what is necessary to achieve the objectives of the Treaties”.

Secondly, it acknowledges that, in some circumstances, the move towards regional development can lead to a “decentralised competition” between local authorities which can act “counter to the general interest in matters of area development” (*Ibid.*, p. 24).

Thirdly and echoing similar claims advanced by several scholars (Amin and Tomaney 1995; Héraud 2003), the report draws attention on the potential territorial impact of many EU sectoral policies. More precisely, also adopting conceptualisations coming from the *European Spatial Development Perspective*<sup>18</sup>, the report stresses that many “effectiveness criteria” included in some EU policies (such as Transport or Technology) may work to the advantage of regions that “are already well developed” (a problem recently recognised also in *Barca Report*). Significantly, it concludes on this point stating that “it would therefore be wrong to think that new rules on the distribution of powers between different levels of government would suffice for Community policies to stop having a territorial impact across the EU” (*Ibid.*, p. 48).

In general, the report frames these problematic aspects within a wider theoretical background which recognises the increasing institutional complexity generated by the twin processes of regionalisation and European integration. Resonating somehow with scholarly works on this issue (see sections 1.2.3 and 2.4.3), the report finds the outcome of these trends is that “all public action is now conceived and implemented in the context of polycentric, highly complex networks of actors that are characterised by considerable interorganisational dependency” (*Ibid.*, p. 20). Moreover, it is noted that these networks - constituted by public institutions but also private actors and new interest groups - are mobilising and articulating themselves according to patterns which are not referable to the traditional and hierarchical institutional set-ups, and which are crossing European territory in a topological fashion. Consequently, the report rightly identifies the definition of new mechanisms to coordinate multiple networks and dispersed policy-making processes as the major question to be addressed.

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<sup>18</sup> The *European Spatial Development Perspective* was meant to be a sort of master document for the elaboration of spatial policies in Europe. Elaborated by the European Commission and endorsed by an *ad hoc* Council of Ministers responsible for spatial planning in 1999 (CEC 1999b), the ESPD focuses primarily on the spatial impact - in terms of concentration - produced by the EU sectoral policies. Accordingly, the ESPD calls for a new approach to policy-making, in which spatial considerations and evaluations are fully integrated in the policy-design process. In this sense, ESPD does not propose a new policy, but rather it puts forward a new method which integrates the objectives of the CP. ESPD is particularly interesting as it lays down quite a different interpretation of the spatial dimension of economic inequalities, compared to the one advanced in the regional policy. Indeed, it starts from a recognition of the interdependent and relational nature of spatial disequilibria (between cities and rural areas, between bigger cities and small cities, between central and peripheral areas). Also, it points at the relevance of accessibility to mobility infrastructures and knowledge sources as a central dimension of spatial inequalities. Consequently, it claims the necessity that “spatially effective policy decisions and investments [...] should therefore be oriented towards a polycentric development model” (*Ibid.*, p. 21). The stress is thus very much on dispersion and integration, rather than on endogenous potentialities. However, indications expressed in the ESPD have not found a political follow-up afterwards; as the recent *Green Paper* on Cohesion recognises, “the debate, however, has not progressed as far as it might have until recently” (CEC 2008b, p. 11). Better, it could be argued that recent versions of the regional policy have adopted a reversed logic, insofar as the problem of the spatial impact of sectoral policies is resolved by stating that the mobilisation of endogenous potential will enable less favoured regions to take part in other policies.

Recapitulating, the report offers a lucid and sound analysis of the main dimensions and challenges entailed by the emergence of a new governance model in Europe; what appears less clear and readily-acceptable are some solutions proposed and the assumptions underlying them (which reflect analogous considerations proposed in the other report on decentralisation). In fact, despite the accent on the complexity and multi-dimensional nature of networking, the report tends to give quite a limited definition of MLG, restricting its possible articulation to three levels: “infranational, national and Community” (*Ibid.*, p. 18), and circumscribing its scope mainly to institutional entities.

Also, the report seems too hasty in assuming that a greater physical proximity of decisional centres to citizens corresponds automatically to a greater political accountability and democracy<sup>19</sup>. Similarly, and accordingly, it takes for granted that sub-regional networking and co-operation are already effective and inclusive practices in most European regions, especially as regards the delivery of the EU regional policy<sup>20</sup>. Finally, and echoing new regionalist approaches, partnerships at regional level are unproblematically identified as the most appropriate procedure to design development strategies<sup>21</sup>.

Within this framework, the EU regional policy and its institutional arrangements are then indicated both as the model which better “responds to increasing demands on public policies, from both sub-state-level public players and civil society” (*Ibid.*, p. 6), and as “the best example of how subsidiarity should be applied in practice, [... since] not only [it] allows a dialogue between the state and the regions but also *enables the European interest to be incorporated at the local level* (*Ibid.* p 18, emphasis added). Consequently, both reports suggest using the method of “tripartite partnership between the regional and national authorities and the European Commission”, which characterises the EU regional policy, as a basis for the full realisation of MLG, expanding this mechanism to other EU policy fields.

In the next section we will consider how this method works. But, at the end of this analysis, it has to be stressed how the assumptions on the link between proximity and democracy, on the role of infra-regional partnerships, and on the consequent subsumption or assimilation of regional governance with regional authorities are deeply problematic<sup>22</sup>. In section 2.4.3, and

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<sup>19</sup> The reports states in this regard that: “the growing numbers of elected leaders at regional and local level offer a source of democratic legitimacy” (*Ibid.*, p. 1)

<sup>20</sup> “Networking at infra-regional level seems to function well” (*Ibid.*, p. 17)

<sup>21</sup> In the report’s words: “networking and the development of partnership at intra-regional level (between regional and local public authorities and socio-economic players) are perceived by all as a now essential precondition for the formulation of territorial development strategies” (*Ibid.*, p. 17).

<sup>22</sup> As we have noted in section 1.2.4, the *Barca Report* stresses the importance of founding the elaboration of the CP priorities on a high level political debate. According to the *Report*, this represents indeed the essential condition to increase effectiveness and relevance of the Policy. However, the forms that such a debate should concretely take are then discussed mainly in terms of institutional balances between EU bodies, thus disregarding the problem of the participation of other non-institutional actors, especially at local level. More generally, the *Barca Report* chimes with the White Paper as for the assumption that local institutions are the most appropriate and legitimate to design local development policies. However, the report then makes out an interesting contradiction when it justifies the claim for a



more in-depth in the next chapter, we will see how these assumptions are empirically challenged precisely in the field of regional policy.

### 2.3.2 Institutional mechanisms regulating the formulation and implementation of EU regional policy

In this section we will briefly examine the working mechanism of the Structural Funds for the current programming period (2007-2013), as defined by the Reg. 1083/2006. This analysis is necessary because, as we will see, procedural and substantive dimensions are bound together.

The Reg. 1083/2006 defines the modalities through which the three Structural Funds (see note n. 3 for a distinction) will contribute to achieve the CP's objectives<sup>23</sup>, and the criteria for their allocation.

The first step of the process consists right in the fact that the Regulation does not define what the objectives of the CP are; on the contrary, it delegates to the European Commission the task of drafting the *Strategic Guidelines* on cohesion, which delineate "an indicative framework for the intervention of the Funds" (art. 25). On the other hand, the Regulation specifies that the *Guidelines* should be broadly based on the Community *Strategy for Growth and Jobs*<sup>24</sup> and, in this regard, it provides rather strictly that "Commission and the Member States shall ensure that 60 % of expenditure for the Convergence objective and 75 % of expenditure for the Regional competitiveness and employment objective [...] is set for the abovementioned [of the *Strategy*] priorities" (art. 9; we will come back to the content of the *Strategy* in next section).

Once the Guidelines are adopted, the Member States assume the task of drafting a national reference framework, which describes how resources from SF shall be used. The national framework has to be formulated in collaboration with the Commission, and art. 27 highlights that its content has to be "consistent with the Community strategic guidelines on cohesion".

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Commission's guiding role in this field with the fact that the EU level is "further removed from the pressure of local interest groups which can distort or obstruct the development path pursued" (Barca 2009, p. ix).

<sup>23</sup> The term 'objective' in the context of the CP can be ambiguous, since it refers to two different concepts at the same time. Indeed, in addition to the common meaning of 'finalities', 'Objective' also refers to the categorisation of the regime of intervention: "Convergence Objective Regions" (former Objective 1); "Competitiveness Objective Regions" (former Ob. 2); "European Territorial Cooperation Objective" (former Interreg). In case of ambiguity, we will distinguish the latter meaning by using a capital letter.

<sup>24</sup> The *Strategy* has been adopted in 2005 and is meant to replace the Lisbon Agenda. We will examine its content in the next section.

Finally, after the national framework has been approved by the Commission, Member States have to submit the *operational programmes*<sup>25</sup> which define the development strategy for each of the areas identified as eligible for assistance from SF. Article 35 specifies that operational programmes should be drawn up at the “appropriate geographical level”, and “at least at NUTS level 2” for Convergence Objective regions, and NUTS 1 or NUTS 2 for Competitiveness Objective. In addition to this, article 37 provides that, for each operational programme, Member States have to design a *managing authority*, that is a “national, regional or local public authority or a public or private body” which will be responsible for managing and implementing the operational programme. Moreover, the Regulation requires that Member States organise - during the formulation process - partnerships with authorities and bodies such as competent regional, local, and other public authorities, socio-economic partners, NGOs, etc. (art. 11). Also, although it does not specify which authority should draft the programme materially, the Regulation suggests that “programming [...] should be carried out at the level of the operational programmes” (that is at regional level); *de facto*, in the majority of Member States (and especially in those with a federal or regional structure), operational programmes are elaborated by regional governments which also represent, in most cases, the managing authorities<sup>26</sup>. Last, and importantly, the Commission has reserved the right to ask for changes, or even for a complete revision, if the operational programme is considered not consistent with Guidelines’ priorities<sup>27</sup> (and it seems that the Commission has exercised this right more than once, according to what Cooke *et al.* 2000 have reported).

A last important element to understand the mechanics of the CP concerns the principle of “additionality” (art. 15), which aims at increasing the “multiplier effect” generated by SF, and which influences significantly the level of resources allocated to each Country. In fact, while the identification of eligible areas is based on automatic criteria for Convergence Objective regions and on proposal from Member States for Competitiveness Objective, the amount of resources allocated is matter of negotiation between the Commission on one side, and national and regional governments on the other side. During this process, the principle of additionality intervenes in two ways. Firstly, it enables the Commission to modulate its contribution both on the basis of the respective amount of resources provided by national and regional governments, and of the degree of consistency of national frameworks and operational programmes with the Guidelines. Secondly, the amount of resources is also linked

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<sup>25</sup> Art. 2 defines the operational programmes as a “document submitted by a Member State and adopted by the Commission setting out a development strategy with a coherent set of priorities to be carried out with the aid of a Fund, or, in the case of the Convergence objective, with the aid of the Cohesion Fund and the ERDF”.

<sup>26</sup> This can be easily checked, by scrolling down the list of managing authorities on the Commission's webpage: [http://ec.europa.eu/regional\\_policy/manage/authority/authority\\_en.cfm](http://ec.europa.eu/regional_policy/manage/authority/authority_en.cfm).

<sup>27</sup> The article 32 clearly states that: “where the Commission, within two months following the receipt of the operational programme, considers that an operational programme does not contribute to the achievement of the objectives of the national strategic reference framework and the Community strategic guidelines on cohesion, it may invite the Member State to provide all necessary additional information and, where appropriate, to revise the proposed programme according”.

to the “absorption capacity” demonstrated by managing authorities in the previous programming period<sup>28</sup>. As we will see in the next chapter, this principle has a significant impact on the very politics of local development.

To sum up, the institutional system designed by the CP seems to assign an important role to the regional level of government which, especially in countries with a federal or regional system, has the possibility to carry out its strategy and to interface directly with the Commission (Leonardi 2006). On the other hand, within this framework the Commission keeps a substantial capacity to influence the directions of regional and national strategies, to make them coherent with its priorities. In particular, this capacity is assured both through the “stick” of article 32, and through the “carrot” of additionality. In the next section we will thus analyse such priorities.

#### **2.4 New regionalism and the content of EU regional policy: main elements and critical aspects**

In section 2.2 we have seen how the EU regional policy has derived from new regionalism the grounding theoretical elements of its approach, namely: the logical association between innovation, competitiveness and growth; the idea that territory is the source of competitive advantages for firms, and region is the essential level for economic coordination; the prescriptive conclusion that regions, like firms, compete in the international arena to secure their development. In section 2.3 we have then examined the role played by this policy in the wider framework of the Commission’s strategy on governance. We have also observed that this strategy is functional to reinforce both the role of regional governments as new economic-political units, and the position of the Commission in orienting development priorities in Europe. In this sense, Cooke *et al.* (2000, p. 9) can argue that regions should have stronger links with the EU than with national level in innovation policies, “because consensus has built up in many regions that the kind of judicious support provided by the EU through regional policies and regional innovation experiments is well-attuned to regional capabilities”.

In the following subsections, we will thus consider which “regional capabilities” are addressed by the regional policy; in other words, we will examine how the Commission’s priorities are translated in concrete operational content. We will see how, once again, the Commission has derived from new regionalism, and especially the *Regional Innovation System* model, two main features: the emphasis on localised innovation networks, and the importance attributed to a sound governance configuration at regional level. This last element in particular has represented the rationale for a specific programme, implemented during the

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<sup>28</sup> The regulation specifies that “as a general rule, the level of the expenditure [...] shall be at least equal to the amount of average annual expenditure in real terms attained during the previous programming period”

previous programming period (but introduced again with some changes in the current and earlier periods), which has acquired a strategic importance in the overall Commission's approach. In the last section we will try to show how this programme and, more in general, the Commission's approach, are based on some problematic assumptions and raise specific policy dilemmas.

#### *2.4.1 The RIS approach and the policy toolbox of the CP*

In the previous section we have seen that the Regulation on SF for the current programming period indicates the *Growth and Jobs* strategy as the basis for elaborating the *Guidelines*, and requires that a consistent amount of European resources is specifically used to meet its priorities.

As already mentioned, the strategy was adopted in 2005 (CEC 2005) and is meant to renew the Lisbon Agenda. While some of the excessively ambitious objectives of the latter are scaled down, the new strategy fully conserves the underlying logic. As regards the regional policy in particular<sup>29</sup>, the strategy reaffirms two essential principles: the idea that equity and efficiency can be conjugated in a competitiveness perspective, and the related emphasis on R&D and regional systemic integration as highroads to "improve knowledge and innovation for growth" .

Therefore, drawing on the *Growth and Jobs* strategy's indications, the *Guidelines* explicitly recommend that "financial effort in support of these fields of action [knowledge, research and innovation, and human capital] should be significantly increased" (Council Decision 2006/702, p. 14). Moving from this leading provision, the *Guidelines* then identify in promoting localised innovation networks the key intervention scheme. This approach is based on the assumption that "the specific nature of RTD [...] requires close interaction between the players [...]. *Geographical proximity through the existence of clusters of SMEs and innovation poles around public research institutions, for instance, can play a key role*" (Council Decision 2006/702, p.19, emphasis added). Accordingly, the primary task for local public authorities becomes to "ensure that research institutions, the private sector and the public sector exploit to the full the potential synergies between them" (*Ibid.*, p. 20).

Overall, this policy model is expected to improve the effectiveness of regional innovation systems and to boost entrepreneurial dynamism, thus seizing the regional potential for growth. But in addition to this - and reversing the *ESPD* perspective (see note n. 18) - this

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<sup>29</sup> In broader terms, the new strategy identifies three main priorities: "making Europe a more attractive place to invest and work; knowledge and innovation for growth; creating more and better jobs" (*Ibid.*, p. 15). While the first and the last priorities revolve around, respectively, the necessity of adopting a more favourable legislation for business, and the recommended reforms with regard to welfare system (pensions) and labour market (mobility), the second priority concerns directly the regional and the industrial policy.

strategy should also contribute to “raising the research and innovation capacity in the region up to a level where it can participate in transnational projects for research” (*Ibid.*, p. 18)<sup>30</sup>.

Subsequently, following this approach and responding to Regulation's provisions, a detailed series of “categories of expenditure” is drawn up; the list is intended to constitute the reference frame for regional authorities when formulating their operational programmes. The expenditure categories are subdivided in “priority themes”, the first being “research and technological development (R&TD), innovation and entrepreneurship”, which includes the following actions to be financed:

- R&TD infrastructure and activities in research centres;
- Technology transfer and improvement of cooperation networks between small and medium-sized businesses (SMEs), between these and other businesses and universities, regional authorities, research centres and scientific and technological poles.
- Investments in firms directly linked to research and innovation (innovative technologies, establishment of new firms by universities, existing R&TD centres and firms, etc.).

From the previous exposition it emerges that the indications provided by the Guidelines are not just a list of generic priorities, but they are very detailed and specific indeed.

Also, the correspondence existing between these indications and those advanced by RIS and Triple Helix models should be evident (see section 1.2.3). In fact, they both share:

- the role attributed to spatial proximity in favouring local innovation capacities;
- the emphasis on bridging public institutions, universities and firms to unlock local potential;
- the consequent prioritisation of technology transfer and commercial exploitation of scientific results as the key areas of intervention.

To conclude, it can be argued that the previous framework represents somehow the “policy toolbox” of the CP; a toolbox derived to a significant extent from the RIS and Triple Helix models. However, following the arguments proposed by these models, the translation of the policy tools into effective measures at regional level is dependent upon the presence of sound

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<sup>30</sup> The *Growth and Job* strategy will be soon replaced by the new *Europe 2020 Strategy* (CEC 2010). From a thematic point of view, the new strategy does not break away significantly from past approach: the stress is again very much on innovation, although enriched with a greater attention to the theme of climate change and the “green economy”. More substantial changes can be instead identified in the overall governance, as EU institutions should gain greater intervention powers vis-à-vis national governments as regards implementation of the strategy.

The Commission's Communication on Europe2020 does not specify how the new strategy will impact the Cohesion Policy, but it is certain that, as for the Growth and Job strategy, Structural Funds should be mainly directed to achieve the strategy objectives. Anyway, the *Barca Report* also fosters innovation as first and foremost priority for the next Cohesion Policy; however, differently from the EU2020, the *Report* pays a greater attention to issues of social inclusion (including the theme of migration, which conversely does not appear in the EU2020 communication).

governance configurations. In other words, systemic strategies cannot be applied in a top-down manner, but they should be the result of endogenous and autonomous processes.

This clearly poses a policy dilemma, that the Commission has tried to tackle through a series of measures which have been explicitly aimed at inducing the “soft” institutional and cultural change required for enhancing the regional absorptive capacity for SF. These measures will be the focus of next sections.

#### 2.4.2 Objectives, mechanisms and criticalities of the Innovative Actions Programme

At the beginning of this work we have observed that the EU regional policy has also represented - to a certain extent - the experimentation field for new regionalist policy models, and in particular for the RIS approach. This is certainly the case of those programmes - such as the *Innovative Actions*<sup>31</sup> scheme (IA) - which, under the umbrella of Structural Funds, aimed at diffusing innovative ideas and methodologies among regional policy-makers. Indeed, authors working on the RIS model have explicitly promoted these policy schemes as the most accomplished example of their theorisations; in Cooke *et al.*'s words (2000, p. 119): “the EU regional innovation norm should be that every LFR [Less Favoured Region] receives funding for a RIS<sup>32</sup> which is implementable using SF. Each implementable RIS must have at its core a strong university-industry innovation networking programme”.

The budget assigned to such programmes through the ERDF has been relatively limited<sup>33</sup>. However, several authors agree in finding that these policy tools have effectively played a decisive role for the widespread integration of the new regionalist approach into regional development policies (De Bruijn and Lagendijk 2005; Pellegrin 2007; Charles *et al.* 2000). This would be demonstrated - among other things - by the fact that, following the participation in these programmes, regional governments and regional agencies have significantly increased the budget allocated to innovation-related activities (Socitec 2005). But more substantially, according to Cooke *et al.* (2000, p. 138), “this initiatives have empowered regions to develop their own policies, irrespective of their national government's stance”.

The strong claim expressed by Cooke *et al.* points at the strategic role played by such programmes in the wider framework of the SF, but also calls for assessing attentively its consistency and implications.

In the following sections and in the next chapter, we will thus focus on the IA programme implemented in the previous programming period. The choice has a twofold motivation: i) differently from the *RIS* initiatives, the Commission has not yet proceeded to publish the

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<sup>31</sup> The name has varied depending on the different programming periods. It was *Regional Innovation Strategies* (RIS) and *Regional Innovation and Technology Transfer Strategies and Infrastructures* (RITTS) in the programming period 1994-1999; *Innovative Actions* in the period 2000-2006 and *Region for Economic Change* in the present generation.

<sup>32</sup> RIS is the equivalent for IA in the 1994-1999 programming period. See previous note.

<sup>33</sup> Around 0,4% of the ERDF's budget for the programming period 2000-2006.

evaluation reports for this programme; ii) regional programmes funded under the *Region for Economic Change* are still “in progress”, and thus not assessable.

Hereafter, we will first examine content and operational mechanisms of the IA programme, and we will then analyse its rationales.

#### *2.4.2.1 Content and operational mechanisms of the Innovative Actions programme*

During the seven years implementation period, 144 EU-15 regions (out of the eligible 156) participated in the IA programme. On the whole, 173 regional proposals of innovative actions were approved, with a total contribution from the EU - through the ERDF - of 416 millions Euros.

The legal base of the programme is provided by Article 22 of the Regulation on the Structural Funds for the previous programming period (Council Regulation 1260/1999), which states that “[the ERDF] may finance innovative actions [... which] contribute to the preparation of innovative methods and practices designed to improve the quality of assistance under Objectives 1, 2 and 3”.

The objective of the Programme is further specified in the related *Guidelines* (CEC 2001a). The *Guidelines* define *Innovative Actions* as a “laboratory” in which lagging behind regions are offered the opportunity to experiment with “more sophisticated” ideas and “more adventurous” policy practices in “future-oriented fields”; through this experimentation, less favoured regions are then expected to become more prepared to grasp “the opportunities offered by the new economy for catching up swiftly” (*Ibid.*, p. 2).

In order to benefit from the EU support, the “competent regional authorities” have to submit a programme proposal of innovative actions, following an annual “call for projects” published by the European Commission. In this regard, the difference with the institutional mechanism regulating the broader use of Structural Funds has to be noted: in fact, differing from the latter, the implementation of the IA programme involves an exclusive relation between the Commission and regional authorities; the national level is therefore excluded.

If the regional proposal is approved, the Programme then co-finances three types of activity:

- regional programmes of innovative actions and the pilot projects deriving from them;
- accompanying measures: support for exchange of experiences and the creation of interregional networks;
- organisation of competitions aimed at identifying and developing best practices.

The first type of activity responds to the broad “experimentation” objective above mentioned. More precisely, the idea is that, once defined the objectives of their regional innovative strategy, regional authorities use part of the EU financial support to finance in their turn a call for projects, addressed to regional public and private entities. This should represent

the real “laboratory phase” of the programme, in which new ideas and approaches are expected to emerge.

The other two types of activities are meant to fulfil a second, more “functional” objective: the mainstreaming of best practices emerged from the experimentation phase both at the EU level (in the CP), and at regional level (in the operational programmes). In the Commission’s view, these latter activities represent the “transmission mechanism” through which the new ideas about innovation can be effectively spread in the daily policy-making at regional level.

As for the content of regional programmes, on the one hand regional authorities are demanded to base their strategies “on an analysis of regional needs” (CEC 2006, p. 9); on the other hand, the domains in which regional authorities can formulate their proposals are restricted to three precise “strategic themes”:

- regional economies based on knowledge and technological innovation;
- e-Europe: the information society at the service of regional development;
- regional identity and sustainable development.

In view of the regional programme that we will examine in the next chapter, it is worth considering in greater detail the Commission’s approach to the first strategic theme. According to the *Guidelines*, the main source of territorial imbalances lies in the technology gap that divides advanced from less-developed regions. Consequently, the latter should be helped to “develop competitive assets based on innovation” (*Ibid.*, p. 6). That means that regions should try to “establish co-operation between the public sector and the bodies responsible for RTDI and businesses, with a view to creating efficient regional innovation systems” (*Ibid.*, p. 7). Accordingly, the content of regional programmes under this strategic theme is expected to cover the following aspects:

- “creation or reinforcement of co-operation networks between firms or groups of firms, research centres and universities, [...] financial institutions and specialist consultants, etc. [...]”;
- dissemination of research results and technological adaptation within SMEs; [...]
- support for incubators for new enterprises which have links with universities and research centres; encouragement for spin-offs from university centres or large companies [...];
- schemes for assisting science and technology projects carried out jointly by SMEs, universities and research centres” (*Ibid.*, p. 7).

A further provision concerns the formulation procedure. In fact, regional authorities are demanded to set up a *Steering Committee*, “which draws up the proposal for a regional programme of innovative actions in the context of a regional partnership” (*Ibid.*, p. 10). Accordingly, one of the evaluation criteria of the regional programmes regards the “commitment and quality of the regional public-private partnership”, which has drafted the



programme. However, the *Guidelines* remain quite vague about the nature and the extent of the partnership; indeed, they call generically for the participation in the *Committee* of “public and private actors involved at regional level” (*Ibid.*). On the contrary, the *Guidelines* are decidedly detailed in prescribing that the *Committee* has to include all the regional authorities responsible for programmes under *Objective 1* or *2*. That responds clearly to the primary Commission’s interest, which is to spread innovation-related concepts among regional policy-makers; that also explains why as many as three evaluation criteria (out of a total of ten) regard specifically the potential impact and influence of the innovative action on the other regional programmes funded under the ERDF.

To conclude, it can be easily observed how the programme’s structure widely reflects the RIS model with regard to both substantive and procedural dimensions. In particular, and compared to the *Guidelines* for SF, there is perhaps even a stronger emphasis on technology transfer and university-firms links.

At the beginning of this section we have seen that the main objective of the IA programme is to allow less favoured regions to experiment with innovative policy tools; in the following section we will analyse in depth the logic underpinning this objective.

#### *2.4.2.2 Rationales of the IA programme*

The main rationale for the IA programme can be identified in the following passage, coming from a recent Commission’s Communication on the programme, which takes stock of previous experiences:

The most advanced regions have the analytical capacities to identify priority sectors on which to focus attention, in general those which are most dynamic and have strongest potential [...]. In contrast[ ...] the mobilisation of actors is much more difficult to organise in less developed regions, due to a lack of experience and expertise, as well as *a lack of understanding of the mechanisms of innovation*” (CEC 2006, p. 3, emphasis added).

Therefore, from this standpoint, IA initiatives are important because they can help less favoured regions, which “still lean towards reducing development gaps in areas such as physical infrastructure” (CEC 2001, p. 6), to “better incorporate the intangibles” connected with the advent of the knowledge economy.

This conceptualisation is significant, as it discloses the grounding principle of the overall approach carried out by the Commission, namely the idea that there is an “endogenous explanation” for the causes of territorial imbalances. In other words, according to this perspective less favoured regions are so because of an internal institutional failure which, in turn, is to trace back to a cultural gap (a crucial assumption which is confirmed also in the recent *Barca Report*, see sec. 2.2 and 2.3.4). Clearly, this idea is complementary to how new regionalism interprets the causes of territorial development; in fact, as Oughton *et al.* (2002, p.

104, emphasis added) have observed, “Regional Innovation Strategies (RIS) programme [...] relies on the principle of *helping regions to help themselves* through initiatives designed to mobilise local knowledge”.

In this sense, the primary purpose of the RIS/IA<sup>34</sup> programme becomes tackling with what has been called the “regional innovation paradox”, that is, the fact that regions needing to spend more in innovation are at the same time those less able to absorb funds earmarked for this finality. In an osmotic relation with the Commission’s officials, theoreticians working on the *Regional Innovation System* approach argue that the cause of such a paradox does not lie in scarcity of public funds, but rather in the regional institutional characteristics:

“In particular firms in lagging regions often articulate little demand for R&D and other innovation inputs and *tend to lack a tradition of cooperation and trust both amongst themselves or with regional innovation actors, such as universities*. [...] Given low levels of investment in innovation inputs and the complementarity between private and public expenditure on innovation activities such as R&D, absorption of public funds earmarked for R&D and innovation activity will also be low.[...] The policy conclusion [...] is that *what is required is institutional change*” (*Ibid.*, p. 103, emphasis added).

Recapitulating, over years the CP has progressively shifted from a redistributive/relative interpretation of the causes of territorial imbalances, to a competitive/endogenous definition. In parallel, Structural Funds have passed from supporting investments in infrastructures to financing “soft measures” according to a systemic approach (Cooke *et al.* 2000). However, in order that the new approach is reproduced also in LFR and that the “overall innovation capability of the EU economy can be raised” (*Ibid.*, p. 155), these regions have to display a suitable governance configuration.

The IA programme enters into picture at this point with the idea that “by spending a small additional sum of money on innovation policy and networking key players, the RIS policy [can] increase the efficiency of industrial policy by ensuring that the Structural Funds are spent strategically and targeted at innovation” (Oughton *et al.* 2002, p. 105). Therefore, in line with new regionalist theorisations (see sec. 1.2.3 and 1.2.4), the strategy relies on three pillars: innovation as policy priority, universities and firms as policy recipients, and networking as policy methodology. Within this framework, the procedural requirement set in the Commission’s guidelines (programme designing on the basis of wide regional partnership; see above) is then indicated as the crucial element to create a “development coalition based on cooperation, which is the key policy target” (*Ibid.*, p. 101).

Following these arguments, one could argue that, if the basic mechanism may seem relatively simple, the programme has nonetheless fairly ambitious goals:

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<sup>34</sup> Again, IA (*Innovative Actions*) and RIS (*Regional Innovation Strategies*) are two names for the same programme, the name changing according to the programming periods. The confusion can get even higher, since the acronym for the programme (RIS) and the acronym for the underlying policy model (*Regional Innovation System*) are the same (with a wordplay, we could say that the coincidence in the names is not a coincidence; it should be noted in this regard that some of the contributors to the theoretical model are also high officials of the Commission). We will try to distinguish whenever ambiguity may raise.

RISs initiative is fundamentally aimed at establishing a socio-economic dynamic (*social and institutional engineering*) based on a bottom-up open discussion and consensus-building among the key innovation actors in a region about policy options and new ideas/projects to promote innovation by exploiting complementarities between private and public sector investment in research and innovation activity. [...] A definition of a RS might be 'an instrument to translate 'knowledge' into regional GDP" (*Ibid.*, p. 105, emphasis added).

To conclude, the last quotation represents a synthetic picture of the procedural and thematic elements which underpin both the RIS' and the Commission's policy approaches to regional development. Indeed, it summarises effectively the conceptual relation between governance structures, procedural arrangements, policies, technology offers, and relations among the "key players", which inform both approaches. In particular, it explains the need for interventions which point at "social engineering" the region. This represents in fact the key to translate the RIS analytical findings into a universally valid policy model; but this also makes the overall approach self-contradictory, as it clashes with the supposed endogenous origin of these processes. Also, it can be questioned whether social engineering strategies are a desirable or acceptable intervention.

The concluding section will be thus dedicated to investigating the limits and dilemmas which may raise from this conception.

#### *2.4.3 Theoretical limits and policy dilemmas raising from the IA/RIS approach*

In recent years, several authors have pointed out diverse critical aspects in the IA programme, concerning both its theoretical bases and its substantive effects.

For instance, Lagendijk and Cornford (2000, p. 212) contend that, because of their marked technicality and competitive bidding mechanisms, IA initiatives have greatly contributed to creating a "strong institutional isomorphism" among regional authorities and agencies in the field of local development. In a similar vein, Uyarra points out (2007, p. 255) that "in relation to the emphasis on context-specific policy action, there is ironically a stress on interregional learning and learning from best-practice initiatives".

Particularly problematic is then the "hypostatization" of the "administrative region" as a coherent economic unit. In this sense, the evaluation report of the RITTS<sup>35</sup> programme has found that one of the main weakness emerging from the use of this funding scheme to build regional innovation systems regarded precisely the propensity of regional authorities to assume an automatic correspondence between the borders of the administrative region and the regional innovation system. However, "[in many cases], including some of the UK regions and Western Norway the pattern of firms interactions do not fit with the chosen regional boundaries" (Charles *et al.* 2000, p. 57). This point is also stressed by Lawton Smith *et al.*

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<sup>35</sup> The RITTS scheme preceded the IA one in the programming period 1994-1999. See also note n. 31 on this issue.

(2003, p. 864), who highlight how in some Member States - such as UK, Greece and most part of the eastern Countries - regional structures have been designed in accordance with the EU criteria, but without any reference to a possible functional region, thus “confus[ing] the relationship between the national state, the EU and the region and the development of coherent systems”.

The prioritisation of high-tech sectors promoted by IA programmes, and more in general by EU regional policy also appears critical (Uyarra 2007). Firstly, as Lawton Smith *et al.* (2003) note, this approach overlooks the fact that many traditional sectors are nonetheless knowledge intensive and that they are normally more responsive to intervention than high tech sectors; the authors also point out that, although traditional, these industries can still be world leaders in their field and have an important economic impact at local level. Secondly, and consequently, policy tools based on a RIS conception are inadequate to tackle with the innovation needs of traditional firms, which still constitute the backbone of most of the less favoured regions' economic fabric. As a matter of fact, in a study of Objective 1 regions in Italy, Pellegrin (2007) has shown that the participation of firms in regional innovation programmes is generally limited to those that are already aware of the “innovation problématique”, which also means those less needy of support. Thirdly, many authors have contested that this approach suffers from a “productivist bias”, as it disregards the importance of many other sectors - especially those serving local demand - in determining the local level of employment and wealth (Lovering 2001; De Bruijn and Lagendijk 2005; Amin *et al.* 2003). In particular, drawing on the case of the IA strategy implemented in Wales, Lovering (1999) argues that such a strategy fails to address the main causes of economic change in the region and, referring to the excessive stress on export-oriented sectors, he concludes that it mistakes “development in the region” with “development of the region”.

In sum, on the basis of the previous review, it can be argued that regional policies promoted through the IA programmes are affected by a double myopia: on the one hand, they fail to consider spatial articulations of economic and innovative activities other than the regional one. On the other hand, they seem to neglect a great part of economic transactions and knowledge relations which take place in the regional territory.

Slightly less considered have been perhaps the effects generated by the procedural mechanisms and the governance model instilled through the IA programmes and, more generally, through the management of the Structural Funds. An exception to this is represented by an important article by Benz and Eberlein (1999) in which, drawing on a comparative analysis of the regional development strategies implemented in two regions (one in France, the other in Germany) under the SF, the two authors theorise the effectiveness of the MLG system.

Benz and Eberlein start their analysis from observing that twin processes of increasing regionalisation of public intervention and europeanisation of national policies in the field of

territorial development may entail an “overload” of co-ordination processes due to the extending linkages between levels of policy-making. This risk would concern not only the functioning of the European level, but also of the regional one. Indeed, this latter would be affected by a tension arising from the fact that regional policies, which have to be co-ordinated with European policies (logic of influence), are also supposed to be formulated through local co-operation (logic of membership). While this latter dimension would demand the broad participation of all relevant regional actors, the logic of influence requires substantial autonomy of regional representatives from their regional membership base.

According to the authors, both the problem of “overload” and the “dilemma of exclusion and inclusion” would have been successfully and innovatively tackled by the governance model designed by the Commission - the MLG system -, thanks to a series of vertical and horizontal differentiations between policy arenas. At the EU level, the policy-making would have been made “manageable” by separating the decision process on the overall framework of the CP - involving the Commission and the Council of Minister only -, from the one on the single regional strategies - involving the Commission and regional authorities only - (see sec. 2.3.2).

At the regional level, and in the relation between the regional and the national level, co-operation would be triggered by the “default condition” raised by the “costs of losing European funding” (*Ibid.*, p. 338). In other words, especially in Countries with strong and autonomous regional governments (like Germany in their case study), the precondition for the successful management of the MLG would lie in an empowerment of the “political-administrative” region, and in a parallel compression of the political space of “the socio-economic region, in which public-private partnerships are organized [...]”. *Otherwise, regional co-operation would threaten to break up vertical negotiations between the Land government and the EU Commission*” (*Ibid.*, emphasis added). Indeed, in empirical terms, Benz and Eberlein find that:

*“Arena linkages between domestic and European funding are quasi-monopolized by the Länder Ministries of Economics, which exercise ‘boundary control’, since they operate at the interface of domestic and European regional policies. In addition, there are strong bureaucratic linkages between the Federal and Land level, [...] to the detriment of bottom-up and intersectorally co-ordinated regional policies. The losers in this game are the regional actors involved in horizontal regional development (local authorities, associations, public-private partnerships). (Ibid., p. 337, emphasis added).*

Now, if - as the two authors claim - the system is successful, one could nevertheless ask *for whom* it is so. In fact, the study questions strongly the alleged co-operative, inclusive, consensual and bottom-up nature of the regional governance model fostered by the EU regional policy.

Also drawing on the discussion proposed in the previous chapter, we can conclude that the policy approach developed by new regionalist theorists and adopted by the Commission shows the same disputed theoretical grounds that Massey (2005) has pointed out, when speaking of the “cosmology of only one narrative”, that is the idea that (a certain account of)

globalisation is ineluctable. This tenet involves the consequent conceptual scheme which, by conflating “geography into history, and space into time” (*Ibid.*), interprets places’ diverse trajectories not as the expression of their own distinctive history, but rather as the (earlier) evolutionary stages of a unique development path. This is indeed the gist of the policy propositions reported in the previous sections, according to which less favoured regions should be taught the “Arcana” of the knowledge economy, following the example of more dynamic regions<sup>36</sup>.

This line of policy is all the more striking since, on the other (theoretical) side, there is a rhetorical emphasis on “endogeneity” and bottom-up decision processes. Such a contradiction necessarily leads to an ambiguous (political) frame of reference, which tries to strike an impossible balance between “context-sensitiveness” and determination “from above” of local political priorities<sup>37</sup>. The continuous tension between these two imperatives probably represents the real problematic knot of Cohesion Policy: a tension which is unsolvable, since grounded in the very conceptual nucleus of the overall approach.

The significance of this contradiction and its link to a certain conception of the politics of development is also recognised by *Barca Report* (Barca 2009, p. 163), when it says that “the effectiveness of cohesion policy, as with any place-based development policy, depends on the balance between conditionality and subsidiarity of its multilevel governance system. In this respect [...] the governance of cohesion policy presents some key problems that need to be addressed”. Following this, the *Report* is dedicated by and large to devise a new governance arrangement for the CP. The proposal advanced by the *Report* revolves in particular around the idea of a “contract agreement” between the Commission and the recipient regions, in which the Commission is expected to set the Europe-wide “political objectives” while regions should then find their own way to achieve them (the *Reports* also specifies that the contract should contain a strong set of indicators to assess the impact of placed-based policies and the

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<sup>36</sup> It is extremely meaningful what Cooke *et al.* (2000, p. 154, emphasis added) have written in this regard: “having identified a failure of goals-achievement, the question arise of whether the ends or the means should be changed and how comparably placed or even ‘world best-practice’ regions pursued a successful growth path. This is the point at which any number of conduits for policy-learning may be activated. It is also such a relatively common and repeated point in the development curve of regions [...] that, ideally, a supra-state organisation such as the EU should be the first port of call, with a specialist task-force capability to advise the would-be learner region of better practice. By and large though, this is a point at which the learner region may invite the consultant in”.

This idea that development is essentially a technical problem which can be solved by resorting to the “right consultant” (the Commission) characterises also the *Barca Report*, which expressly assigns the Commission the task of being “credible both as a contract partner making discretionary choices and as a *think tank*” (Barca 2009, p. xxii, emphasis added).

<sup>37</sup> It is very interesting confronting the following two quotations, the first coming from a Commission’s communication on the innovation policy (CEC 2003b), the second excerpted from the Commission’s communication on the *Regional Dimension of the European Research Area* (CEC 2001b).

Starting with the first: “when designing and implementing regional innovation policies, regional authorities must fully take into account the distinctiveness and the social and economic characteristics of the region.” (CEC 2003b, p. 20, emphasis added).

Moving then to the second: “the less developed regions have few chances of catching up with the prosperous regions *if they do not perform RTDI strategies comparable to the prosperous regions*. Thus, a cohesion policy that does not manage less favoured regions progressing fast on this track will fail in the long run” (CEC 2001b, p. 18, emphasis added).

degree of commitment of local institutions, whereas the Commission should act in this regard as a high-level consultant or think tank, see note 36).

It is quite clear that the new governance arrangement envisaged in the Barca Report does not differ substantially from the present organisation of the CP. The reason is that the *Report* remains within a territorialised and self-contained conception of development, according to which the main rationale of the CP is to tackle the institutional failure of local institutions, which need an “exogenous intervention” (*Ibid.* p. ix; that is the intervention from the think tank Commission) to unlock their potential.

As I have tried to argue earlier (sec. 1.3.4), what is at stake here is the interpretation of, and the value assigned to, diversity and heterogeneity in geographical terms. In other words, the inescapable tension between “context-sensitiveness” and “conditionality” stems from the difficulty that new regionalism faces in recognising and accepting both the legitimacy (the “coevalness” in Massey’s words) of alternative development trajectories, and the always contested nature of space, included the proximate space. This limit of new regionalism is in turn related to its most questionable theoretical starting point, namely the attribution of causal and ordering properties to spatial concepts. It is precisely as a consequence of this spatial determinism, which is then coupled with a teleological interpretation of globalisation, that new regionalism becomes “clumsy” as regards the deduction of the political consequences stemming from acknowledging variety and multiplicity.

These arguments thus enable us to outline the crucial questions which will drive the successive empirical inquiry. More precisely, by transposing previous contentions into the pragmatic field of policy-making, we can identify - in both the EU regional policy and the RIS model - three important assumptions which need to be critically investigated:

- i) The first assumption concerns the supposed correspondence between the political-administrative and the socio-economic region; indeed, this correspondence is not empirically supported, and it is theoretically unsteady, as the very existence of an economic region is - at least in systemic terms - difficult to define.
- ii) Secondly, and correlatively, the importance attributed to localised university-firms networks is debatable. Again, there is not convergent evidence about the viability and effectiveness of this strategy and it can be argued that this logic is unable to make sense of the multifaceted socio-spatial dimensions of modern economy. A similar reasoning can be made with regard to the absolute economic role ascribed to technological innovation and high-tech sectors, which make new regionalist policy indications particularly unfitting for less favoured regions.
- iii) Lastly, and crucially, the imperative of co-operation and the idea that consensus can be always achieved or, worse, socially engineered is highly problematic. As regards the EU regional policy in particular, requiring consensus as a condition to access funds is contradictory and may also reveal itself to be “poisonous” for local governance. In fact, on the one hand, insisting on “being consensual” closely

resonates with that “be happy” imperative, that physiologists from the Palo Alto school found to be highly paradoxical, as it imposes a behaviour which can only emerge spontaneously, thus creating frustration and counter-effects (Watzlawick *et al.* 1974). On the other hand, as the Benz and Eberlein’s study shows, this approach involves a “functionalisation” of consensus which, in the name of the European “carrot”, deeply affects the politics of local government, as it may muffle dissent and depoliticise choices, which are re-cast as mere technical problems.

In the next chapter I will try to scrutinise the previous critical issues by analysing a specific programme of *Innovative Actions*, implemented in an Objective 2 region in Italy. In particular, I will try to consider both the substantive results produced by the programme and its procedural mechanisms for, as it should be clear by now, these two elements cannot be separated.





## **CHAPTER III: A CASE STUDY OF A REGIONAL PROGRAMME OF INNOVATIVE ACTIONS AND ITS IMPLICATIONS FOR REGIONAL GOVERNANCE**

### **3.1 Introduction**

The concluding part of the previous chapter was dedicated to analysing a specific EU programme implemented in the framework of the CP - the *Innovative Actions* scheme (IA). Its main objective was to induce that cultural and institutional change, considered as a prerequisite for the effective translation of the CP's policy orientations at regional level. We have seen that several authors have underlined the influence of this programme on regional policy-making. I have also pointed out that there is a tight relation between the rationales underpinning such a programme and theorisations coming from the RIS approach.

I have then concluded by claiming that both the EU programme and the RIS approach are based on a series of assumptions which are theoretically problematic and empirically unsteady. Drawing in particular on relational perspectives, I have tried to show that questions can be raised with regard to both substantive elements (namely the appropriateness of RIS models to tackle the sources of territorial imbalances), and procedural aspects (that is, the contradictory processes and relations which characterise the formulation and delivery of the EU regional policy).

In this chapter I will present the findings of an in-depth study of a particular IA action implemented in Tuscany on Regional Authorities' initiative, that I conducted with the purpose of exploring the critical issues stemming from previous arguments. More precisely, my investigation responds to a double research interest: to provide further empirical material to assess the effectiveness of new regionalist policy models on the one hand; to scrutinise the effects of such an approach on regional governance on the other hand. This twofold line of inquiry is based on the heuristic hypothesis that, in order to understand the consequences generated by new regionalist-derived strategies in the context of the CP, we have to look at how regional governance simultaneously influences and is influenced both by the content of such strategies, and by the characteristics of the MLG system which fosters the implementation and reproduction of this policy approach at regional scale. In other words, the idea is that there exists a circular relation between procedural and substantive aspects, as they are both the expression of the same underlying spatial conceptualisation.

Concretely, my intention is to show that the relation connecting the three main research levels (content of the development strategy, regional governance configuration, and institutional organisation of the CP) is generated - and constantly re-generated - by a complex assemblage of beliefs, rationalities, institutional procedures and rules, documents, formal requirements, expectations and interests, which represent a fundamental action-framework for different actors at various scales. Through the unifying role played by this action-framework,

the three dimensions form a dynamic empirical object, whose borders are never precisely marked - as never precisely bounded is the web of relations which shapes it -, but which has nonetheless distinguishable and important effects on the nature and direction of the politics of local development.

Following this perspective, the outcome of my study will be a discursive reconstruction of such effects and processes. In this sense, the theoretical validity of this analysis will not be determined by its degree of generalisability (on the contrary, the description will be precisely framed in spatial and temporal terms). Rather, the soundness of the account I propose will depend on its capacity to unfold coherently - that is to make sense of - the multiple articulations and connections which will emerge from the empirical exploration, and which - I argue - hold together the diverse research levels. Therefore, although the research results cannot be projected beyond the context from which they derive, this inquiry keeps in my view its theoretical interest, insofar as it is illustrative of relations and tensions which are likely to occur (and recur) elsewhere, and insofar as it represents a valid approach to study similar contexts and phenomena.

The analysis of the research outcomes and the resulting reflections will thus take up this and the successive last chapter. The present chapter in particular is organised as follows. In the next section I will dwell on some methodological issues deriving from the above outlined research approach. After that, I will provide some broad socio-economic coordinates characterising the region under scrutiny: Tuscany; such coordinates will be important to contextualise and better understand the implications of some regional strategies and political positions. The remaining part of the chapter will be entirely dedicated to examining the Tuscany's programme of IA - called VINCI -, and its significance in the framework of the other research dimensions (regional governance and the MLG system). To do that, I will proceed according to a concentric pattern. More precisely, in section 3.4 I will summarise the main content of the programme and I will report its outcomes, as they can be drawn from official evaluation documents. In the following section, I will frame the programme within the context of the wider regional development strategy. Subsequently, mostly relying on the main actors' own accounts, I will try to reconstruct which expectations, rationales, etc. have led them during the planning process, paying particular attention to the potential role played by the EU through the CP. Finally, I will try to delineate the possible effects produced on governance by both the content of the regional strategy and the institutional arrangements determined by the use of Structural Funds (SF).

### **3.2 Exploring a regional innovation programme: some methodological remarks**

Before starting the analysis of the VINCI programme, it is opportune to specify which methodological approach has been adopted, and how this is related to the theoretical perspective previously defined.

As mentioned above, the case study has a bifocal nature. On the one hand, it aims at providing further insights to assess the effectiveness of new regionalist policy approaches. On the other hand, it intends to shed light on the effects produced by the MLG system on regional governance, and on how these are related to the content of the EU and regional strategy. Both dimensions are indeed needed to carry out the analysis. The outcomes of the programme are necessary to validate or to question the substantive content of the strategy. At the same time, the hypothesis is that the institutional mechanisms which have led the formulation and have made possible the implementation of said strategy (and their consequences in terms of governance) are not independent from the spatial conception underpinning the strategy itself.

However, the two dimensions require different research approaches, and different types of data as well. As for the first aspect (the outcomes of the programme), I will rely exclusively on secondary data, namely the results contained in the official evaluations reports, which have been drawn by independent organisations during the intermediate and the concluding phases of the programme. Apart from pragmatic considerations (related to the “manageability” of the research project), the choice has also a more “methodological” reason: official evaluation reports represent the main reference for regional and European policy-makers to assess their policies. Especially in the field of EU regional policy, with its stress on the effectiveness of resource allocation, evaluations reports are often quoted in planning documents to formally justify the confirmation or suspension of a certain strategy. In this sense, such documents constitute also an important element of the overall institutional and procedural system which underlies the production and reproduction of development strategies at regional and EU level. Therefore, evaluation reports represent an essential information base to question policy-makers about the sense of certain policy decisions (especially when, as in our case, a strategy is proposed again after that several evaluation reports have proved it ineffective; we will come back to this aspect later on).

As regards the institutional dimension, the issue consists in tracing the intersections and the relations among theoretical and political assumptions, administrative procedures, incentives and expectations, etc. which bind together the MLG system, regional governance and the policy strategy. In order to give a readable account of this complex entanglement, I will follow Lagendijk and Cornford's suggestion (2000) that concepts are not merely communication intermediaries, but they can also shape the behaviour of agents and the relation between organisations, thanks to their capacity to enrol and mobilise actors. Tracking the evolution of concepts may thus be a viable methodological approach to describe this procedural and cognitive knot. However, while the two authors focused on the evolution of

concepts such as “learning region” and “cluster” to explain the *emergence* of new forms of regional development policy, I will concentrate on the concept of “innovation networks”, to see how this has been adopted from the EU regional policy, translated at regional level, and consequently *consolidated* in a set of institutional relations, interests, tensions, and policies (the last represented by the programme under scrutiny). As already mentioned, the objective in this case is to provide a picture of the action-framework in which actors deploy their operational capacity, and through which their rationalities, aspirations, perceptions, become manifest.

In terms of research methods, in order to follow the thread of the *innovation networks* concept and reconstruct such an “action-framework”, I will chiefly rely on direct semi-structured interviews with the main actors involved in the formulation and implementation of the programme. Indeed, a wide literature in human geography and social sciences converges in indicating qualitative research interviews as the most appropriate method to gain access to cultural categories and assumptions according to which subjects construe their experienced world (Hoggart *et al.* 2002; Valentine 2005). According to this perspective, qualitative research interviews, thanks to their open and conversational nature, become a knowing context in which “knowledge is constructed through the interaction of interviewer and interviewee” (Kvale 1996, p. 37); in other words, in qualitative interview subjects are not just mere informants but, dialoguing with the interviewer, they come to formulate and articulate their own conception of the theme under discussion (*Ibid.*).

Therefore, given the above outlined research objectives, interviews will represent the main means through which the fieldwork will be carried out. However, during the analytical phase, the content of interviews will be also confronted and put in relation with other sources and aspects, such as: planning documents, evaluation reports, studies, legislation, etc. Again, such a constant reframing is essential because these latter elements are as important as subjects’ decisions and behaviours to understand the overall direction and effects of regional policy. In other words, these objects have important agencies which need to be considered in order to account for actors’ movement and struggles.

In conclusion, the picture emerging from this analysis should allow us to identify which processes, rationalities and constraints have shaped the regional innovation policy with regard to the determination of objectives, the choice of tools, the nature (inclusive, exclusive, etc.) of the relations underlying the formulation and delivery phases; that is, all those aspects that ultimately determine the regional politics of development.

In Annex 1, I will provide more details about how and when I accessed the information sources which this work is based on. However, in order to make the ensuing analysis more fluent, I will sum up hereafter the main types of source:

- Official planning documents. With regard to the general regional development strategy, the main reference documents are: the *Regional Programme for Economic*

*Development (Programma Regionale di Sviluppo Economico - PRSE)* and the *Regional Operational Programme (Programma Operativo Regionale - POR)*, which defines the regional strategy for the use of SF (see section 2.3.2 for details about the characteristics of this document). As for the specific programme under investigation, the main reference documents are: the draft programme submitted by Tuscany's regional government to the European Commission and the *Guidelines* elaborated for the implementation phase.

- Official evaluation reports. With reference to the overall regional development strategy implemented under SF, the main references are: the *Intermediate Evaluation Report* and the *Updated Intermediate Evaluation Report* (Cles 2003 and 2005). For the specific IA programme, the main references are: the *Intermediate Evaluation Report* (Caloffi 2007), the *Final Evaluation Report* (Resco 2009), and the *Modelling Exercise* (Lazzeretti 2008).
- Interviews. I have interviewed the following individuals: two members of the “expert group” who drafted the *Guidelines* for the experimentation phase of the IA programme (prof. Marco Bellandi and Mr Daniele Calamandrei); the author of the intermediate evaluation (Dr Annalisa Caloffi); the author of the modelling exercise (Prof. Luciana Lazzeretti); the secretary of the largest craft and small-and-medium enterprises association in Tuscany and member of the Managing Authority<sup>38</sup> for SF (Ms Laura Simoncini). Moreover, I have interviewed three Regional Authorities' policy-officers who had a major role in designing and implementing the VINCI programme (including the programme manager), and a regional government's official holding a very prominent position in both the regional DG Development (the DG primarily in charge with the formulation/delivery of the POR) and the Managing Authority. Although all the above mentioned interviewees have been informed (both verbally and through a written summary submitted in advance) about the aims of the research work and the uses of the interviews' content, and although all the informants expressly agreed on recording - through a digital recorder - the interviews, I have nonetheless deemed it opportune to “anonymise” interviews with Regional Authorities' staff. In fact, while other informants represent either practitioners responding about the product of their activity or representatives of interest organisations accounting for their political action, interviews with policy-officers contain certain personal political opinions and evaluations which may do them some actual harm, considered their position as civil servants. As a consequence, the three policy-officers will be referred to with the following initials: PO<sub>1</sub>, PO<sub>2</sub>, PO<sub>3</sub>; while the DG Development high official will be indicated with the DGDO initials.

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<sup>38</sup> As explained in sec. 2.3.2, the Managing Authority is the public authority or the public/private body responsible (also in financial terms) for managing and implementing the operational programme. We have also noted that the SF regulation provides that operational programme are preferably drawn up at NUT2 scale and that, in most cases, the managing authorities coincide with the regional/federal governments.

For similar but inverted reasons I have instead decided to report extracts from a speech that the Regional Councillor for Innovation and Development - Ambrogio Brenna - held on the occasion of the official presentation of the VINCI programme's results. In fact, as we will see in the next section, Regional Councillors are appointed through a political process and have political responsibility for their acts (what is more, Councillor Brenna has indefinitely postponed an interview, following my reiterated requests)<sup>39</sup>.

### **3.3 Socio-economic coordinates of Tuscany**

VINCI is an acronym which stands for *Virtual Innovation and Cooperative Integration*. The essential objective of the programme has been to foster the creation of innovation networks between universities/research centres and traditional SMEs, through the adoption of a particular networking approach (named *Virtual Enterprise* or *Virtual Organisation VE/VO*), derived from the ICT sector (we will specify better objectives and methodology of the programme later on). VINCI has been addressed particularly (though not exclusively) to three industrial sectors which amount to a substantial part of Tuscany's economy: textile, engineering and maritime.

Therefore, before approaching the content of the VINCI programme, it may be useful to provide some basic information about the socio-economic context in which the programme has been implemented. More precisely, in next sub-section I will briefly delineate the main characteristics of regional economy; I will dwell in particular on the nature of regional industrial districts, which have a particular relevance in the wider regional development strategy, as they "host" half of the regional manufacturing firms. In the subsequent sub-section, I will concentrate on the relation between industry and university, with specific regard to the main target sectors of the programme.

#### **3.3.1 Main industrial and economic features of Tuscany**

Tuscany is one of the twenty regions which form up Italian territory. The Italian Constitution defines regions as "autonomous entities having their own statute" (art. 114); as such, regions have their own political "bodies", which are: the Regional Council, elected by universal suffrage, which exercises the legislative power; the Regional Executive which is constituted by Regional Councillors; and the President of the Executive who directs the policymaking of the Executive (Art. 121). Moreover, Regions have revenue and expenditure autonomy, which

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<sup>39</sup> A part from the *Final Evaluation Report*, all other documents are in Italian. Similarly, interviews have been conducted and originally transcribed in Italian. Quotations from both these sources have been translated by the author.

means that they draw up their budget, and they “set and levy taxes” (art. 119). Finally art. 117 provides that “legislative power shall be vested in the State and the Regions”; it then distinguishes between matters in which the State has an exclusive competence (such as state security, foreign policy, etc.), and matters that are covered by concurrent legislation, for which “legislative powers are vested in the Regions, except for the determination of the fundamental principles, which are laid down in State legislation”. “Scientific and technological research, and innovation support for productive sectors” is one of the matter to which concurrent legislation applies.

As one can easily deduce from this list of constitutional provisions, Italian regions enjoy - at least formally - a high political autonomy, which characterises Italy as a “quasi-federal” state. This “institutional specification” is an important preliminary aspect to understand actors’ perspective but also, very concretely, their effective action-space. For instance, VINCI has been elaborated and managed by regional policy-officers, that is by members of the regional administration which is politically bound only by directions coming from the regional government. Similarly, when discussing the content (and allocation of resources) of the Operational Programme (POR) with the Commission, regional officials have to account for their decisions only to their regional Councillor. We will discuss these aspects more in-depth in the next sections, but it is import to bear them in mind henceforth, in order to understand the institutional context in which regional development programmes are elaborated.

Moving on to analyse the regional economy, Tuscany can be qualified as an “average” region in Europe, if measured according to traditional indicators (see table 1); however, it has to be observed how Tuscany’s economy (like the Italian one) has been stagnating during last years (see figure 1)<sup>40</sup>.

**Table 1: Main economic indicators of Tuscany’s economy compared with Italian and EU averages**

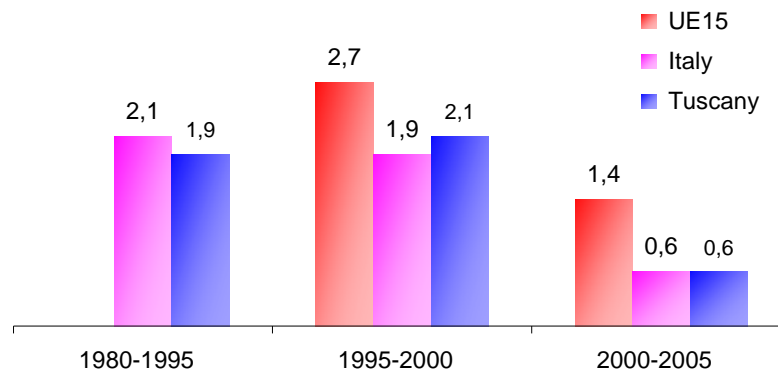
	GDP % (EU 25 = 100) <sup>1</sup>	Unemployment rate (%) <sup>2</sup>	Employment rate (%) <sup>2</sup>
EU 25	100	7.2	53.9
EU 15	111,1	7.1	54.3
Italy	101,0	6.7	45.9
Tuscany	109,3	5.0	49.2

Source: author’s elaboration on EUROSTAT data. <sup>1</sup>= 2006 data; <sup>2</sup>= 2008 data

<sup>40</sup> Figures in table 1 and 2 do not clearly include the effects of the recent economic downturn. According to the latest data, in the first 2009 quarterly, regional unemployment has jumped to 7,2%, while employment has remained more or less stable. Between the second half of 2008 and the first half of 2009, regional GDP has shrunk by more than 4% (5,4% in Italy) (IRPET 2009).



**Figure 1: Average GDP growth rate in Tuscany, Italy and EU15 (%)**

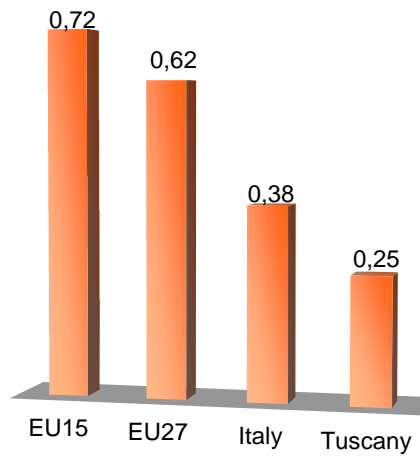


Source: Author's elaboration on Giunta Regionale 2007b

Concerning the productive structure, four main distinctive features can be identified. The first has to do with the “manufacturing vocation” of regional economy: in 2004, regional manufacturing industry employed 31,8% of total workforce, against 30,7% and 27,7% of, respectively, Italian and EU25 average (Giunta Regionale 2007a). The second aspect is related to the small dimension of manufacturing firms: in 2006, the average number of employees per firm was 6,3 (8,1 in Italy); overall, more than 50% of regional firms has less than 10 employees (*Ibid.*; Bellandi *et al.* 2006). The third element regards industrial specialisation: regional industry appears highly concentrated in “traditional” sectors, and especially in fashion-related production (textile, clothing, leather goods, and jeweller’s craft), which absorb more than 40% of industrial employment and 12% of total regional workforce, against a national average of 5% (Giunta Regionale 2007a). Somewhat related to the sectoral specialisation is the last feature, which has to do with the scarce propensity for R&D activities: indeed, the average share of R&D personnel on total private employment is significantly lower than national and EU27 average (see fig. 2).

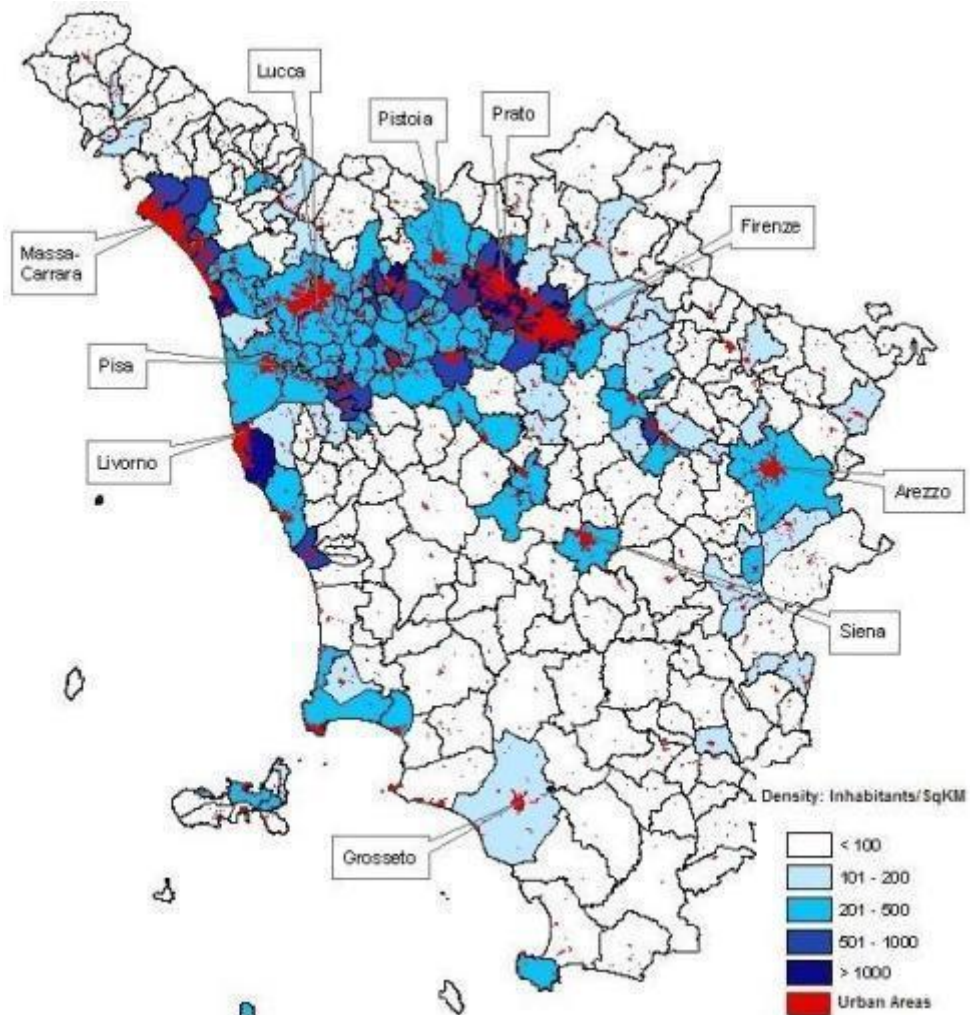
Such a productive structure shows then a peculiar, and highly unbalanced, geography. Indeed, 70% of the regional population and 75% of economic activities are concentrated in the centre-north part of Tuscany, which extends longitudinally from the hills east of Florence to the west coast and which amounts to only the 30% of regional territory (*Ibid.*) (see fig. 3).

Figure 2: % of R&D personnel on total private sector employment (2006)



Source: Author's elaboration on Eurostat data 2009

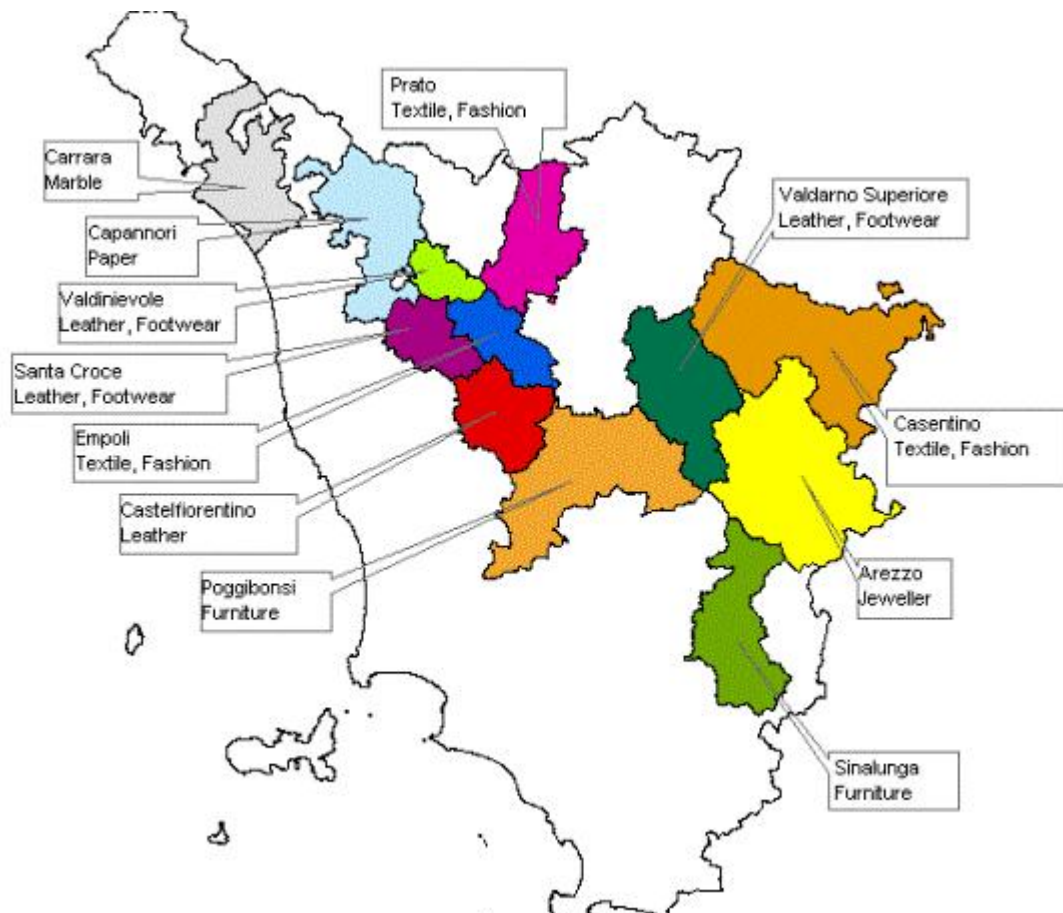
Figure 3: Population Density in Tuscany (2008)



Source: IRPET 2009

This area is in its turn quite variegated; according to Sforzi (2003), at least three different “tuscany” can be identified: the urban areas, the “tourist-industrial areas”, and the “urbanised countryside”<sup>41</sup>. Urban areas (in particular Florence and Pisa), are characterised for the location of the main regional decision-centres, and for the highest concentration of services. The tourist-industrial areas coincide with the coastline, and they are characterised by a mix of (formerly state-owned) heavy industries poles in slow but constant decline since the 1970s, a flourishing maritime pole (endowed with large and small shipyards), and an ever growing tourist industry. Finally, the urbanised countryside encompasses a wide zone, stretched along the Arno river and comprising many small-medium sized towns (see fig. 4), whose “dominant characteristic is constituted by the phenomena directly connected with the development of clusters of specialised small firms in typical Tuscan light industry” (Sforzi 2003, p. 32). The urbanised countryside is then clearly distinct from the large rural countryside in the south which, on the contrary, has been “negatively impacted by the effect of the industrialisation process” (*Ibid.*).

**Figure 4: Official district areas in Tuscany**



Source: IRPET 2009

<sup>41</sup> Such a territorial reading is substantially adopted also by the Regional Government, in particular Giunta Regionale 2007b.

Therefore, the “urbanised countryside” is the area in which most of the Tuscany’s industrial districts are located; an area defined by the Regional Operational Programme (POR) as the “manufacturing heart of Tuscany” (Giunta Regionale 2007b, p. 13), where more than the 50% of manufacturing firms operates. As is well-known, in Tuscany (like in some other Italian regions) industrial districts have represented an important driver of economic development. Thanks to their particular socio-spatial characteristics, they have also been the object of intense scholarship during the 1980s and the 1990s. There is not the space here to review the extensive literature on this topic; however, some general observations are necessary for the analysis I will carry out in the following sections.

The first observation concerns the importance - in a substantive sense, but in a theoretical and cultural one as well - that industrial districts have had in Tuscany’s recent economic history. Indeed, if on the one hand “Italian districts are the strongest examples of this phenomenon” (Pyke and Sengenberger 1990, p.1), on the other hand Tuscany is the region where the characteristics of this development model were studied for the first time at beginning of the 1970s (Sforzi 1990).

The second element is related to the many theoretical overlaps that can be spotted between the analytical results stemming from district studies on the one hand, and the new regionalist literature on the on the other hand (see for e.g. Storper 1997, and Cooke and Morgan 1998). Indeed, both approaches share the idea that firms and economic activities are “rooted in the territory” (Becattini 1990, p. 40). Moreover, both approaches emphasise the importance of some sociological factors - primarily “cultural cohesiveness” - in guaranteeing the co-ordination among co-localised producers and the reproduction of local know-how. In this sense, chiming in with much of the institutionalist literature, industrial districts are described as a self-contained “socio-territorial entity”, endowed with an “homogenous system of values and view” (*Ibid.*, p. 39), which “preserves consensus and social compromise” (Pyke and Sengenberger 1990, p.6).

Another important similarity is connected with the policy implications. Indeed, many district authors agree that the sustainability of the district model requires specific interventions aiming at fostering the development and adoption of break-through innovation by district SMEs, through a more intense interconnection<sup>42</sup> with universities and research centres (Bellandi and Caloffi 2008; Trigilia 1992).

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<sup>42</sup> In this regard, Trigilia (1992, p. 42) interestingly reasons that, since research structures are normally located in urban environments (i.e. they are not part of the urbanised countryside), the implementation of the above mentioned interventions requires the existence of an “intermediate level of government”, regional rather than local, which is able to stimulate the integration of different actors located in different areas. Trigilia then concludes that this ability would demand in its turn the capacity of interest groups and regional governments to “redefine the interests at this level [...] and to assume a new regulatory role” (*Ibid.*, p. 44).

The relevance of district tradition, along with its supposed policy spatialities (see note n. 42), may thus help to explain why the regional government continues to put this model at the core of its development strategy, despite the fact that, in the course of the last two decades, district systems have undergone substantial transformations and have probably lost much of their economic centrality. I will analyse the content and rationales of this strategy in more depth in the next sections; hereafter I will briefly consider the nature of such transformation.

As regards the structural changes districts have been subjected to, three main phenomena need to be stressed. The first consists of the progressive contraction of the manufacturing component, and the parallel shift towards services. Indeed, starting from the end of the 1980s, the number of manufacturing firms in districts areas has been continuously shrinking, while the services sector has been expanding its weight in terms of both employment and added value (Dei Ottati 1998; Giunta Regionale 2007a). Although manufacturing activities remain quantitatively more important in district areas than in the rest of regional territory, this process mirrors a broader trend affecting the entire regional economy, with two main consequences: i) districts' characterising features are now less marked than they were in the past decades; ii) overall, the importance of industry in regional economy has diminished (at present, industry's output counts for less than one-fourth in regional economy, while it was around one-third at the beginning of the 1980s).

The fall in industrial employment is then in part related to another major transformation. As mentioned above, the original theoretical model characterised the district as a self-contained unity, in the sense that it comprised all the production cycle of a particular industry thanks to the horizontal and functional integration of many small firms. However, again since the mid-80s, most regional districts have begun to subcontract a growing part the production (especially low added value components) out of the local system; parallel to this, local subcontractors have started producing for firms external to the district (Dei Ottati 1998). Interestingly, Dei Ottati (1998) finds that this phenomenon has been accompanied by an intense buying into foreign firms, carried out by local entrepreneurs with the purpose of either improving the control on the supply-chain or penetrating new markets. In sum, during the last two decades, industrial districts in Tuscany have experienced a process of interconnection and internationalisation that Dei Ottati (1998, p. 37) describes as the "end of productive self-sufficiency".

The last transformation refers to the sectoral specialisation. While in the past districts were largely "mono-sectoral" and specialised in semi-durable low-tech consumer goods, in the last years they have become more "heterogeneous" in their typical output (Giunta Regionale 2007b, p. 12). More importantly, if the decline in industrial employment has been less marked in district areas than in non-district ones, this is mainly due to the growth of an engineering sector, specialised in the production of investment goods and machineries (often, but not always, in the same industrial branch characterising the related district), which has counterbalanced the dramatic loss in productive capacity that has affected traditional

sectors<sup>43</sup>. Since the growth of an engineering sector producing investment goods has characterised many other Italian regions in the last two decades, the POR significantly concludes that the profile of regional industry has become more similar to Italian average (Giunta Regionale 2007b).

To sum up, in this section we have seen that Tuscany's economy was for long time characterised by a marked manufacturing capacity, mostly concentrated in industrial districts specialised in semi-durable consumer goods; this constituted indeed an important driving force of regional economic development. However, at least from the end of the 1980s, the distinctive features of this model have progressively faded and regional economy has become more anchored to the broader Italian economy's dynamic, with regard to both the economic performance<sup>44</sup> and the characteristics of the productive structure (Giunta Regionale 2007b). As for the latter aspect, the most important change is probably represented by the contraction of manufacturing activities. Several authors (Sforzi 2003, Dei Ottati 1998) identify the cause of this transformation in deep socio-economic processes, but also in the structural evolution of regional districts, which have progressively de-localised more standardised production and have re-focused their business on more strategic functions (such as design, marketing, commercial control of the supply-chain). Moreover, according to some studies, the increasing internationalisation of regional districts would make more and more relevant the phenomenon of local firms which produce abroad (or control the production of) semi-manufactured products, and then import them to complete the production cycle locally, so that the distinction between export and import is becoming more difficult to interpret.

This last aspect is important, for regional planning documents indicate the low technological content of regional typical production and the related rising competition from low-wage countries as the main cause of the "competitiveness crisis" affecting regional economy. Such dynamics - testified by falling export values - would consequently require a intense effort to upgrade the technological profile of regional production in order to offset low-wage countries competition. Increasing international competition and shrinking export certainly represent a socio-economic problem, as they entail falling output and employment. However, previous arguments suggest that these processes are interwoven with a more variegated and complex set of factors and that, in any case, date back much earlier than the outbreak of East-Asian competition<sup>45</sup>.

These elements have thus to be borne in mind as a necessary background when we will pass on to consider the content of regional development strategy. In the next section, I will

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<sup>43</sup> Between 2007 and the first half of 2009, the value of export has averagely decreased by 6% on a quarterly basis for fashion and textile sector, by 2,9% for leather goods and footwear sectors, and by 0,5% for furniture (personal elaboration on IRPET 2008 and 2009 data).

<sup>44</sup> Between 1980 and 2004, the difference between the annual average GDP growth rate in Tuscany and in Italy has been of only 0,12% (higher in Italy).

<sup>45</sup> The regional planning documents, and more generally Italian debate, frequently talk about the "Chinese challenge". However, the great upsurge of Chinese competition has to be dated back to 2001, when China becomes a member of the WTO.

complete such a background framework, by focusing on the innovation dynamics which characterise the two main sectors targeted by VINCI.

### 3.3.2 *A glance at the innovative dynamics in engineering and textile sectors, and at the role of university*

At the beginning of this section, we have mentioned that the main objective of VINCI has been to foster innovation-oriented relations between regional universities and SMEs, especially in the textile, engineering and maritime sectors (the last being a sub-class of the engineering sector, according to national statistics classification criteria). As we will see in the following sections, this also represents the most important line of intervention of the regional development strategy, as university-SME relations are deemed to be the weak point of regional economy. Therefore, before approaching these issues, it may be worth highlighting a couple of elements characterising the economic role of universities in the regional context, with specific regard to the engineering and textile sectors.

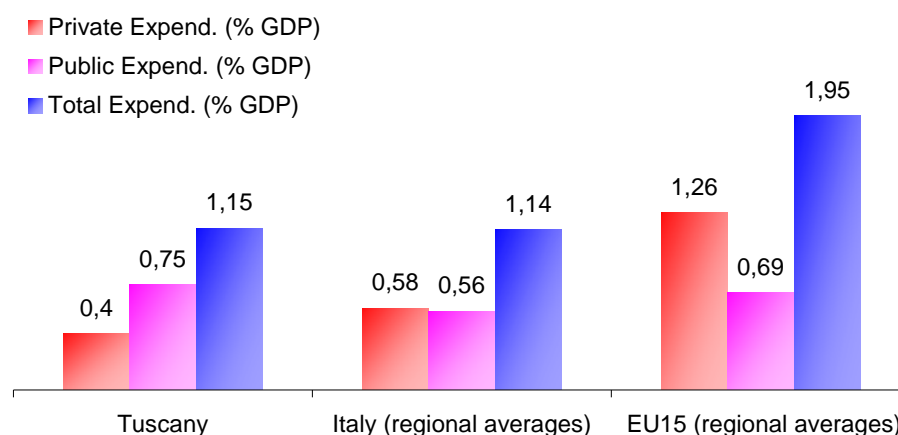
The first aspect that needs to be stressed is that the level of public expenditure on R&D in Tuscany is fairly high if compared with national average, and even with the EU15 average; by contrast, private expenditure appears particularly modest (see fig. 5). These data are significant as they challenge - at least for the Tuscan case - Oughton *et al.*'s (2002, p. 100) hypothesis that "government expenditure on R&D, business expenditure on R&D and spending by the education sector on R&D are all positively and significantly correlated, that is they are complementary". As we have seen in section 2.4.2.2, such a hypothesis has constituted one of the main rationale underpinning both the RIS approach's claim, and the IA programme's indication, for the support to regionalised university-business networks.

The second facet is that, differently from most of Italian regions, Tuscany's technological trade balance<sup>46</sup> has remained active during the last decade (see table 2). The PRSE explains that this positive figure is the combined result of a growth in sales of R&D services, and of a weak domestic demand. Therefore, although the value of transactions is limited (it amounts to less than 1% of total regional trade-balance), it is nonetheless interesting, as it indicates two phenomena which are consistent with previous data on R&D expenditure: i) Tuscany's universities and research centres (public and private) have the ability to extend their commercialisation effort outside regional borders or, conversely, the results of their research activity appear attractive for extra-regional organisations; in any case, they rely on extra-regional connections; ii) regional industry does not constitute - on average - a significant "consumer" of formalised know-how and technology.

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<sup>46</sup> The regional technology trade balance measures the difference between the value of sales (output) and purchases (input) of non-incorporated technology (know-how, patents, design, etc.) to or from subjects located outside the region (Giunta Regionale 2007b).

**Figure 5: Expenditure on R&D as % of regional GDP in Tuscany, Italy and EU15 (2003)**



Source: Author's elaboration on Giunta Regionale 2007a

**Table 2: Annual average value of the technological trade balance in the most important Italian regions between 1997 and 2006 (in mln euros).**

Piedmont	Lombardy	Liguria	Trentino	Venetian	Emilia-Ro.	Marche	Lazio	Tuscany	Italy
226,6	-301,6	-1,6	-13,4	-43,4	-41,8	-30,6	-235,0	<b>75,4</b>	-463,9

Source: author's elaboration on Giunta Regionale 2007a

Moving on to examine the engineering sector, I have already mentioned that this is the second most important industry in Tuscany in terms of added value. Engineering is also the industry that has grown most intensively in the last decade and, although Tuscany is under-specialised<sup>47</sup> in this field compared with the national average, the export value of engineering products has exceeded the one of textile and fashion goods in 2004 (Giunta Regionale 2007b).

The sector is highly differentiated and it ranges from automotive and aerospace, to taps and fittings productions; however, a great part of recent development is concentrated in the production of investment goods. Interestingly, a recent and in-depth empirical study (funded by Regional Authorities) shows that, in contrast with what regional planning documents assume, the expansion of this sub-sector cannot be explained with a "district perspective" (Regione Toscana 2008). In other words, the survey finds that regional engineering firms have weak input-output relations with final firms in districts, and that, significantly, there are not firms producing looms, knitter or other machineries for the textile industry. Therefore, the research's authors argue that, since such a development reflects similar trends in other Italian regions, and since this process is part of a recent wider expansion of the international trade in

<sup>47</sup> Calculated as the share of a certain sector on total regional added value divided by the analogous quotient calculated at national level.



engineering products, the main explaining factors should be searched in logistic and technological improvements which have made easier and less expansive the apportionment of the production process and its control over long distances. This argument would be then supported by the following evidence:

- i) a significant proportion of regional engineering firms<sup>48</sup> (around one-fourth) is multi-located, that is they have more than one plant; 47% of their employees works then outside the region<sup>49</sup>.
- ii) A robust correlation is found between firms' exportation - but also innovation<sup>50</sup> - propensity, and their integration within trans-national supply-chain (especially if this occurs in the context of multinational groups).
- iii) Only 35% of firms' suppliers is located in Tuscany, the remaining part is situated in other regions or abroad; in any case, spatial proximity is never indicated by interviewed firms as an important criterion to select suppliers (*Ibid.*, p. 157).

The same study also provides interesting insights with regard to both firms' innovative dynamic, and their relation with regional universities. As for the first aspect, innovative performances appear influenced by the technological characteristics of the sub-sector within which firms operate. However, there are not wide differences between high-tech and low-tech sub-sectors as regards the quality of realised innovations: in the majority of cases (52% for high-tech and 48% for low-tech) innovation consists just in introducing a product new to the firm or in developing a new product starting from an already existing one; only in a very residual share (0,2% for both sub-classes) we find the introduction of innovation "totally new-to-the-markets". In this sense, the authors conclude that regional firms are chiefly "adapters" of external innovation, and their competitiveness lies essentially in their timing and customization capacity.

The fact that high-tech firms rely on external innovation sources more intensively than low-tech firms do is perhaps more meaningful. However, for both categories, the main innovation sources are represented by customers and clients, while relations with universities and research centres are negligible, especially for medium-to-low-tech firms (see table 3). In this regard, drawing on both survey's results and qualitative interviews, the study further clarifies that:

- i) Regional engineering departments and research centres show a good propensity to collaborate with large firms (mostly located outside the region), especially in the framework of research projects which display high scientific

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<sup>48</sup> The number of engineering firms in Tuscany amount to more than 5000 (Regione Toscana 2008).

<sup>49</sup> These and the following data are drawn from the above mentioned study. The study is in its turn based on a survey conducted on a representative sample of 300 regional engineering firms. The distinction between low- and high-tech sectors is based on OECD's classification criteria.

<sup>50</sup> Authors demonstrate that the "probability of being innovative" falls from 84% to 70% if the firm - *ceteris paribus* - is not part of a group.

standards. Again, in most cases such projects have a national - and more often international - extension.

- ii) Only 1,4% of regional engineering SMEs is found to have relations with engineering departments. The causes of this weak link are complex, though mostly related to SMEs' financial and organisational limits. However, reciprocal perceptions - as reported by the study - are significant: according to the interviewed academic staff, working with SMEs is frustrating because they do not have a "research culture" and consider university as a service provider; on the other side, interviewed entrepreneurs feel to be treated by academics as mere technical executors during collaborative projects, without any possibility of intervening in the project-designing phase.

**Table 3: Main external innovation sources for engineering firms in Tuscany (% of answers)**

	% of firms relying on external sources		Customer s	Suppliers	Specialise d advice	Other firms	University and r.c.	Other sources
High-tech	66,7	of which	28,8	8,3	6,1	12,1	9,8	1,5
Medium-tech	63,8		32,1	12	8,2	4,7	2,9	3,1
Low-tech	59,6		34,1	13,1	6,2	3,5	0	2
<b>Total</b>	<b>61,9</b>		<b>32,9</b>	<b>12,4</b>	<b>7,1</b>	<b>4,6</b>	<b>1,8</b>	<b>2,4</b>

Source: Regione Toscana 2008; see note n. 49 for methodology

If engineering is the sector that has grown most, textile is the one which has undergone the most severe restructuring process. Between 1991 and 2001, the number of textile firms decreased by 20%, and in 2003 the new firms birth rate was half than it was in 1995 (Macro-Inn 2005)<sup>51</sup>. Textile is also the regional sector that probably suffered most from the rise of Chinese competition: between 2001 (the year China became a member of the WTO) and 2005, the value of textile import from China increased by more than 400%<sup>52</sup>.

However, if on the one hand Chinese competition has certainly offset many small firms, on the other hand previous data also depict a more complex restructuring process of the international division of labour. Indeed, between 2001 and 2005 regional export towards China increased as well (although less than import); between 1991 and 2003, the amount of foreign direct investments from Italy in textile industry abroad grew by eight times; in 2004, 1% of total workforce employed by regional textile firms was located abroad. Moreover, previous figures confirm what we mentioned in the previous section: the contraction of manufacturing capacity started well before the upsurge of international competition. In other words, as an

<sup>51</sup> As a consequence, the "weight" of the sector on regional economy in terms of added value has reduced from 14% in 1980 down to 6% in 2003 (Giunta Regionale 2007b).

<sup>52</sup> Correlatively, during the same period, the share of Chinese textile imports on total imports expanded from 1,8% to 28,9%, and the normalised trade balance between China and Tuscany (as regards textile products) has gone down to -67% compared with initial -2,3% (Macro-Inn 2005).

empirical study has brought out, Prato district (where most textile firms are located) now imports a great amount of semi-manufactured products, which are finished and made-up locally (Macro-Inn 2005), and which are subsequently sold to international buyers. Therefore, the difference with the past would lie in the fact that this chain is not more locally contained, and that the district has lost control over some initial and final production and commercialisation stages. In this sense, the study concludes that the real competitive problem of many regional firms is that they have been unable to gain control of more strategic functions and productive phases, and consequently they have a subordinated position within global-reaching supply-chains.

Finally, from the same study it also emerges that textile firms are averagely less innovative than engineering ones<sup>53</sup>. However, even though sampling criteria and survey questions are not the same in the two studies and consequently data cannot be automatically compared, some similarities can nonetheless be identified. In this sense, it is notable that the two studies are mutually consistent as regards the qualitative characteristics of introduced innovations. Indeed, as for engineering firms, in the large majority of cases (around 70%) innovation consisted in introducing products new to the firm (but not to the market) or in improving existing products. Similar too is the relationship with external innovation sources: in the rare cases where textile firms carry out R&D activities in collaboration with external organisations, they largely prefer private consultants or specialised companies to universities or research centres (57% against 28%). Interestingly, the study also analyses specifically a sample of firms which benefited from SF; it finds that:

- firms benefiting from Structural Funds are normally larger, more structured and more connected to the foreign markets than average;
- the first destination of resources coming from SF is represented by the purchase of new machineries, that is productive investments (this is an important aspect: we will see that this kind of investment is not allowed any longer in the present programming period of SF);
- when using SF's resources to purchase specialised services/advice, firms' main objective (72%) is to explore new potential commercial outlets abroad or to find new productive and commercial partners (only in the remaining 28% specialised advice has a technological content).

To sum up, previous data seem to draw quite a clear picture of the "objects" that the VINCI programme has tried to deal with. Regional universities (especially engineering departments) appear rather dynamic and connected with other national and international public and private institutions. They are interested in taking part in collaborative projects, on condition that such projects can meet the expectations and academic interests of researchers;

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<sup>53</sup> Only 57,1% of surveyed firms declared to have realised a product or process innovation in the last year (compared with 68% of engineering firms)

on the contrary they are reluctant to get involved with local SMEs, which cannot guarantee an adequate scientific level. For similar but reversed reasons, SMEs find frustrating collaborating with university departments.

On the other hand, regional engineering and textile firms carry out - on average - little R&D activity. Probably, their low technological profile negatively influences their competitive performances. However, the nature and intensity of the R&D effort seem also to be determined - at least in part - by the specific technological trajectory of firms' sector, and by their relative specialisation within it. More or less clearly, previous analyses suggest that other factors, such as stylistic features, advanced logistic devices, customisation, etc., may prove to be as important as technological innovation in determining firms' competitiveness. In particular, internalisation processes appear crucial to understand structural changes occurring in these sectors; similarly, firms' position and nodal power within articulated and wide-reaching supply- and distribution-chains seem to play a critical role. In any case, as the study on the engineering sector has pointed out, there exists a correlation between firms' innovativeness, commercial expansion and integration within multi-national groups, where the causal direction of this relationship is far from being univocal.

Therefore, previous studies' results chime with much of the literature which questions the heuristic validity of territorialized definitions of development, and of their related policy implications (see section 1.3). In particular, there are strong overlaps as regards the following arguments and findings:

- More often than not, universities participate in trans-regional and trans-national innovation networks, where excellence and scientific relevance are the main criterions for membership (Huggins *et al.* 2008; Wright *et al.* 2008). Relationships between universities and regional SMEs are sporadic and seem determined more by regional public incentives than by real strategic motives (Lawton Smith 2007; Huggins *et al.* 2008; Lagendijk 2002).
- The most important external innovation sources for SMEs are customers, suppliers and other firms, often located in other regions (CEC 2004; Héraud 2003); SMEs scarcely rely on "regional research infrastructure" and, in any cases, there does not seem to be a strong correlation between regional research environment and industrial competences (Héraud 2003; Cooke *et al.* 2000).
- Sectoral specificities matter for explaining firms' innovation dynamic and needs (Lagendijk and Lorentzen 2007; Lawton Smith *et al.* 2003; Uyarra 2007).
- SF tend to benefit the firms which are relatively less needy (Uyarra 2007; Pellegrin 2007).

In the following sections, I will finally move on to consider VINCI programme's content and results. It is worth stressing here, though, that the data this section has drawn on come from studies funded by Tuscany's Regional Authorities, if not from regional planning documents

themselves. In other words, this is information which is potentially available to regional policy-makers.

### **3.4 Content and results of the VINCI programme**

On the 20th December 2005, the European Commission approved<sup>54</sup> two million Euros co-financing the biannual regional programme of Innovative Actions *VINCI*, submitted by Tuscany's Regional Authorities. The EU contribution amounted to the 47% of the total resources mobilised by the programme: the Regional Authorities provided further 1,5 million, and 0,7 million came from the private sector. The implementation started officially in February 2006 and it formally concluded in April 2008 (although some activities went on in the following months).

In the next sections, I will first review the programme's content and objectives, and I will subsequently analyse the official results.

#### *3.4.1 Content and objectives of VINCI*

In section 2.4.2 we have seen that the EU Innovative Actions programme expressly aimed at socially and culturally engineering regions. We have also seen that, concretely, the IA programme consisted in offering Regional Authorities the possibility of experimenting more "sophisticated and adventurous" policy practices in "future-oriented" fields, namely the creation of regional innovation networks (CEC 2001). The "mechanic" of the programme then demanded that Regional Authorities drew up a proposal for a regional programme of Innovative Actions in the context of a regional public-private partnership, and subsequently submitted it for evaluation to the Commission. Moreover, the programme had to fall under one of the "three strategic themes" identified by the Commission: i) regional economies based on knowledge and innovation; ii) the information society at the service of regional development; iii) regional identity and sustainable development.

VINCI has intended to experiment with innovative practices under the first of the three strategic themes. Within this framework, and coherently with the Guidelines' indications, the programme proposal submitted to the Commission sets the following main objective:

"Stimulating R&D activities, which are particularly weak among local small and medium enterprises operating in traditional sectors of the regional economy. This can be achieved by promoting aggregative processes among firms and research institutions, centred on organizational patterns based on the model of the Virtual Enterprise/Virtual Organisation".

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54 European Commission Decision n. CCI 2005 IT 16 0 PP 006.

In short, as I have already mentioned (sec. 3.3) the programme has aimed at developing SMEs-university networks, by supporting the dissemination of a particular organisational model – the *Virtual Enterprise* – derived from the ICT sector. The programme proposal then specifies the underlying rationales in the following terms:

- Traditional sectors of regional economy are increasingly threatened by low-cost productions coming from developing countries. In order to preserve their competitive position, firms operating in these sectors have to increase their innovative capacity.
- Previous experiences have shown that “the creation of networks among firms, research centres and university represents the appropriate approach to seize the systemic nature of innovative processes”.
- However, the same experiences have also demonstrated that, because of their limited size, SMEs are reluctant to take part in these kind of networks, considered as “excessively binding”. Their limited dimension, along with the specialisation in low-tech sectors, also explains another structural weakness affecting regional SMEs: “the prevalence of informal activities of R&D, which are no more sufficient to defend market shares”.
- In this context, thanks to its flexible nature based on modern ICT solutions, the Virtual Enterprise model represents an organisational innovation which enables SMEs to overcome their reluctance to participate in innovation-related collaborative projects, thus also favouring the shift towards a more formalised approach to R&D.
- Finally, the definition of the content of the programme is the result of an “intense consultation activity” which has involved both workers’ unions and entrepreneurial associations on one level, and the main regional research institutions on the other level.

On the basis of the previous objective and rationales, the programme is then articulated in three main actions (or operational objectives).

- *Action 1: Analysis and contextualisation of VE/VO models*

Drawing on a review of existing VE/VO models, the initial phase has to lead to drawing up the guidelines for the implementation of pilot projects in the three target sectors.

- *Action 2: Experimentation of the VE/VO model*

This stage aims at experimenting with the identified models, by co-financing 5-10 pilot projects. The action is further articulated in the following steps:

- a) publication of a call for proposals, addressed to regional firms, research centres, and innovation poles;
- b) submission and selection of project proposals to be co-financed by Regional Authorities;
- c) realisation of the selected projects;

d) demonstration activities and results dissemination through workshops, conferences, etc.

- *Action 3: Modelling, trans-regional comparison and mainstreaming of results*

Finally, results stemming from the experimentation are meant to be modelled and formalised into an operational method, to be subsequently mainstreamed in other innovation policy actions.

Of the three actions, the most significant is certainly the second one; indeed, this is the module that absorbs most of the available resources (around 90%) and that more closely corresponds to the experimental finalities of the programme. Therefore, the examination of the VINCI strategy has also to include a brief analysis of the *Guidelines* accompanying the call for projects.

The Guidelines define the Virtual Enterprise/Virtual Organisation as “a system of different organisations which try to seize together a business opportunity, on the basis of a common but temporary project. Virtual Enterprise does not exist in a physical sense [...] but only as a communication network. It represents a partnership among firms and organisations, oriented to jointly offering a product or service” (IRPET 2006, p. 3).

Following this definition, pilot projects are required to possess three main building blocks: the identification of a business opportunity, supported by a business plan; the definition of a common virtual structure, based on the adoption of an ICT platform; the specification of a potential innovation, realisable through to the complementary contribution of different partners, which justifies the business opportunity. Accordingly, the key evaluation criteria concern the soundness of the business opportunity, the sophistication of the ICT platform, and the degree of innovativeness of the envisaged new product, process or service. After characterising the model and detailing projects' requirements, the Guidelines end with a brief analysis of the three target sectors.

Therefore, compared with the programme proposal submitted to the Commission, the Guidelines introduce two new elements: i) a definition of the VE model and a series of (rather precise) prescriptions with regard to the content and form that pilot projects have to display; ii) a greater emphasis on the expected commercial outcomes - the business opportunity - of pilot projects and, conversely, a relative downplay of the role of the ICT platform, which becomes only *one* of the elements of the model (we will see in the next sections the reasons for such changes at this stage).

Overall, the joint examination of the programme proposal and of the Guidelines suggests some observations.

First of all, it is indisputable that VINCI widely draws on a new regionalist logic: the emphasis on formal R&D activities, the prioritisation of localised firm-university networks, the

prominence attributed to high-tech sectors: all these factors contribute to ascribing this programme to new regionalist-derived policy schemes.

Secondly, as we have seen, the programme proposal states that the formulation phase has been based on a wide-ranging consultation activity with social partners and universities, but no mention is made of the specific position expressed by each partner, thus implying that there has been unanimous consensus about the strategy.

Thirdly, the programme proposal maintains (apodictically) that the VE is the most appropriate model to achieve the objectives, *given* the regional context; however, it is notable that the draft never specifies what the model consists of and thus in which ways it is appropriate. Curiously, in the call for projects - which is meant to represent the real experimentation moment - the Guidelines appear conversely quite strict in their formal provisions. Odd also is the fact that the Guidelines do not make any reference to the existing literature on the VE<sup>55</sup>.

Lastly, and related to the previous point, the idea that the limited number of firm-university relations and the prevailing informal nature of industrial research activities can be explained only with the small dimension of regional firms is questionable and, above all, highly limiting. Indeed, that would mean disregarding all those factors (cultural, aspirational, sectoral, positional, etc.), that the studies reported in the foregoing section indicated as crucial to understand innovative behaviours - and the related spatialities - of target organisations/businesses. In this sense, it is meaningful that the Guidelines draw an analysis of the three target sectors only after having defined the characteristics of the VE model. Moreover, such an analysis mainly focuses on structural statistics (number of firms, average turnover, etc.): specific knowledge needs and practices are not particularly considered. Even when such needs emerge extemporaneously (for instance with reference to the need for external expertise in marketing strategies, in design-related activities, etc.), the Guidelines do not draw the obvious conclusion that these demands are more likely to be met by consultancies, rather than by tighter links with R&D university departments<sup>56</sup>.

To conclude, the above reflections raise just as many questions, which will be the object of the following qualitative inquiry: was there an unanimous consensus among social partners

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<sup>55</sup> A literature review on the VE/VO is proposed in the modelling report (Lazzaretti 2008). According to the author, the theme of the VE/VO has been approached by an heterogeneous set of studies, ranging from cybernetic theories to sociological investigations. In Lazzaretti's view, these studies can be grouped in two main research fields: on the one hand, we find approaches directly derived from computer science and mainly interested in analysing what technical characteristics ICT platforms should possess to foster pervasive and diffused computing activities; on the other hand, there is a broad strand of management studies, which chiefly focuses on assessing potential competitiveness improvements deriving from the integration of users and producers through virtual communities.

I have decided not to analyse thoroughly such literature, since what matters for the present research objectives is – it seems to me – how the concept is concretely translated, used and understood by the actors in the specific context of the programme under investigation.

<sup>56</sup> Consultancies may clearly include academics among their staff and carry out high level research as well; what changes is the scope of research activities and the nature of incentives, which make these entities more suitable to fulfil firms' requirement.



and about the content of the strategy? Was the programme formulation preceded by a thorough analysis of sectoral technological specificities and firms' innovative needs or - as it seems - did Regional Authorities follow quite a "reversed" logic (that is, instead of starting from the analysis, they identified first the tool, and sought then the problem)? Why is the programme proposal so vague about the characteristics of the model, whereas the Guidelines are so strict? Why are there some discrepancies between the programme proposal and the Guidelines?

More generally, all these questions underlie a more basic - and crucial - issue: How (who, responding to which rationalities and constraints, and according to which procedures) were the content of VINCI actually decided? And which is the real role played by the EU in this process?

Answering this question means going to the heart of the relation between local governance, MLG system and content of the EU regional policy. However, before approaching this matter, we have first to consider whether VINCI has met the expected objectives. Indeed, as mentioned in the introductory section to this chapter, assessing the effectiveness of the programme (in relation to the objectives *set by the Regional Authorities*) represents the starting point for investigating the other questions. On the grounds of the previous arguments and of the theoretical framework developed throughout the work, the basic hypothesis I advance here is that the programme will be unable to achieve the expected goals (that is the approved projects will either not generate the expected outcomes in terms of innovative and commercial performances, or not display the expected SME-university configuration), because it fails to recognise the relational dimensions of innovation processes, and their related spatialities.

### 3.4.2 Results of VINCI

In July 2006, the first of the three Actions of VINCI ended with the publication of the call for proposals and of the associated Guidelines. In December 2006, 12 pilot projects proposals (out of the 32 submitted) were officially selected and granted with EU and regional funds. In March 2008, the experimentation phase came to an end and, in parallel, modelling and evaluation activities started. Finally, evaluation and modelling reports were published during spring 2009.

Before starting to analyse the programme's results, it is worth briefly examining the content of the approved projects. Clearly, there is not space here to sift the characteristics of each single project; therefore, I will group the projects according to their dominant logic or main objectives.

For the relative majority of cases (6 out of 12), the main objective may be defined as “positional”: that is, strengthening partners’ “bargaining power” within a supply-chain (for partnerships mainly made up of suppliers), or improving the market access by overcoming commercial intermediaries (for groups of small final producers). In both cases, the underlying strategy has consisted in pooling together complementary competences with a view to constituting a more integrated offer, thus acquiring greater weight and control over the supply or distributive chain<sup>57</sup>.

For three other projects, the goal has been to open up new areas of business by transferring technologies or management methods from a (more high-tech) upstream sector to a (more low-tech) downstream one. Such a “technological crossover” has thus been pursued by grouping together operators from both sectors<sup>58</sup>.

The remaining three cases have had a more traditional objective: developing strong technological innovation by assembling together differentiated and specific technological competencies<sup>59</sup>.

Following this cursory categorisation of the experimentation projects, the first series of data which has to be considered relates to the “registry” characteristics of the operators which took part in the programme.

Overall, the 12 pilot projects involved 81 participants, mostly SMEs (see table 4). It is interesting to note that only 4 of the 12 funded partnerships included one university department (see tab. 5), and as many as half of the partnerships were not comprised of any “specialised” technology-provider whatsoever. Therefore, if the creation of networks specifically including firms *and* university was one the key objective of the programme, we can conclude that results in this regard have been rather poor.

Another intriguing aspect concerns the location of firms: northern *Provincia*<sup>60</sup> - in which, as we have seen (sec. 3.3.1), most economic activities are concentrated - are over-represented compared with southern and more rural areas (see table 6). Interestingly, the only exception is

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<sup>57</sup> Within this category fall the following projects: *E-meccanica* (bringing together small suppliers in the shipbuilding industry, by developing a common designing and engineering process) – *Railteam* (basically the same as *E-meccanica*, but in the automotive industry) – *E-nautica* (bringing together small service providers in the ICT and logistic sectors, by developing a tracking system for goods moving in and out Tuscany’s harbours) - *IDETOS* (grouping together small producers in the furniture sector, in order to open a common flagship shop) – *RECUBenet* (clustering a group of service providers in the environment-recycling industry, in order to develop a new integrated recycling service at regional level) - *Lobyact* (constituting a small group of craft-shipbuilders in order to develop common marketing and commercial strategies).

<sup>58</sup> This category includes the following projects: *Nautilus* (bringing together engineering operators working in the automation sector with the purpose of developing new machineries for the maritime sector) – *Prina* (grouping companies and research institutes operating in the computer design sector to develop a new software for the engineering components industry) – *VirGoal* (a group of ICT and textile firms trying to develop a new computer-based management method for textile supply chain).

<sup>59</sup> This category comprises the following projects: *Pilopt* (a group of companies and university departments trying to develop a new optical laser for the bio-medical sector) - *INNOVA* (textile firms and technology transfer centre to develop a new synthetic fibre) – *MASSA* (university spin-offs and research department developing a new device to detect gas pollution).

<sup>60</sup> *Provincia* constitute a further administrative repartition of the territory, intermediate between region and municipal district. They correspond to NUTS3 level according to the European Nomenclature.

represented by the Prato Provincia, in which the majority of textile firms cluster, and which has probably felt most the effects of the economic downturn. Data on firms' location clearly chime with those on sectoral specialisation: only five firms (out of 71) belong to the textile sector, whereas as many as one-fifth of participating firms operate in the ICT sector. More generally, the evaluation report finds that, in a series of indicators (ranging from financial capacity to size, to R&D effort), firms under investigation show better performances than regional average<sup>61</sup>. Therefore, these figures indirectly confirm two important critical aspects that we have already identified in existing literature (see sec. 2.4.3): i) this kind of strategy tends to benefit more firms which are relatively less needy or, in any case, already aware of the "innovation problématique"; ii) funds stemming from such strategies tend to be absorbed comparatively more by areas which are relatively more dynamic.

**Table 4: Breakdown of participants in the Vinci programme<sup>62</sup>**

	N	%
SMEs	71	87,7
Research Centres/Universities	5	6,2
Large firms /State-owned companies	3	3,7
"Centri Servizi"	2	2,5
<b>Total</b>	<b>81</b>	<b>100</b>

Source: Final evaluation report (RESCO 2009)

**Table 5: Breakdown of the projects according to their composition**

Typology	N
Projects constituted only by SMEs	4
Projects constituted by SMEs and university or research centre	4
Projects constituted by SMEs and "centri servizi"	2
Projects constituted by SMEs and large/public companies	2

Source: RESCO 2009

<sup>61</sup> In the words of the evaluators: "the VE/VO approach aroused greater interest in more structured enterprises, hence more capable of addressing the experimentation of innovative approaches" (RESCO 2009, p. 33). As mentioned in note n. 39, the evaluation report is the only document available in English. This and following quotations are original.

<sup>62</sup> According to the Programme regulation, large firms could take part in projects but they could not benefit from public funding. "Centri Servizi" can be defined as public-private technology transfer centres. They do not normally perform in-house R&D, but adapt existing technologies to specific firms' exigencies. Usually, they are funded and created by public-private partnerships involving local authorities and local branches of business associations.

**Table 6: Location of “VINCI” and regional firms by Provincia**

Provincia	VINCI firms		Regional (total)	
	N	%	N	%
Florence	24	32,4	18.074	29,1
Livorno	11	14,9	3.134	5,1
Lucca	9	12,2	6.250	10,1
Massa	7	9,5	2.895	4,7
Pisa	10	13,5	6.171	9,9
Prato	6	8,1	9.062	14,6
Pistoia	7	9,5	5.233	8,4
Siena	0	0,0	3.223	5,2
Arezzo	0	0,0	5.990	9,7
Grosseto	0	0,0	2.065	3,3
<b>Total</b>	<b>74</b>	<b>100</b>	<b>62.097</b>	<b>100</b>

Source: RESCO 2009

Moving on to consider the proper results of the evaluation exercise, the final report lists the following “evaluation objectives”<sup>63</sup>:

- verifying the congruence between the content of the “strategic framework [...] and the procedural and implementation phases” (RESCO 2009, p. 4);
- assessing the “degree of achievement of expected goals” (*Ibid.*);
- estimating the sustainability of the model.

Now, a preliminary remark has to be made: when going through the evaluation document, it is impossible not to note an extremely sympathetic - if not complaisant - attitude towards the programme. The reasons for such an approach can be various: from the well-known ambiguity involved in the evaluator-paid-by-the-evaluatee circumstance, to more subtle motives related to the common cultural “adherence” to the dominant paradigm. Whatever the reason, the point is that this impression has been confirmed by the Regional Authorities’ staff itself: according to one of the interviewed policy-officers “evaluation has been too flattering [...]. I would have been more critical” (PO<sub>2</sub> 13/05/09). Two aspects appear particularly questionable.

First, from the very beginning the report gives a strong endorsement of the model, without this being substantiated by definitive empirical evidence. Indeed, the report first states that the model, as defined by the Guidelines, is apt to “respond positively to the demands of the market” (RESCO 2009, p. 20), only to then recognise that “the degree of achievement of the expected aims indicates an impressive performance for some aspects, while for others it is hard to unequivocally assess, largely because it is very likely that we have still to wait several months for the effects to fully emerge”.

<sup>63</sup> As for the methodology, the report has been based on the following sources: secondary data coming from the project proposals submitted to the Regional Authorities; direct interviews with the “project leaders” accompanied by random phone interviews with some project partners.

As regards the “impressive performances”, these mainly concern the achievement of the business opportunity and the strengthening of competitive positions: two areas in which, according to the report, “outcomes can be judged in many respects as verging on excellence” (*Ibid.*, p. 6). However - and we come to the second critical aspect -, indicators appraising such dimensions are chiefly based on qualitative - and hardly verifiable - self-assessments provided by the evaluatees themselves<sup>64</sup> (i.e. the project-leaders). That clearly weakens the reliability of indicators, for one can argue that, in an evaluative context, self-assessments may be easily biased by a plurality of factors, and primarily by the objective of gaining credit *vis-à-vis* Regional Authorities with a view to accessing future funding opportunities (and this is particularly the case here, as we will see later on).

As a matter of fact, if we look carefully at more “substantive” indicators, the image we get changes dramatically. So, if on the one hand most of the projects have set “ambitious market objectives”, on the other hand, in only four cases the business opportunity has been achieved (that is the new product/service has been effectively brought to the markets). Similarly, if on the one hand the report notes “tangible signs in terms of the increase of competitive potential [...] for the majority of the participants” (*Ibid.* p. 41), on the other hand we find that in only two projects a growth in the aggregate turnover is recorded. More, if on the one hand the majority of projects is found to show “high level of functional integration among partners” (*Ibid.*), on the other hand, we observe that in only four cases operators have come to draw up a formal agreement to share revenues deriving from common selling or patenting activities.

Beyond such discrepancies, and despite the aprioristic endorsement, the evaluation report still outlines a consistent series of shortcomings:

- i. It is recognised that the analysis of target sectors is rather generic, this representing a potential “weakness in terms of disseminating models showing high levels of sophistication” (*Ibid.* p. 42).
- ii. The realisation of the programme is found to be highly demanding for both the participants, and the Managing Authorities which provided a strong material support (in terms of technical advice, mentoring, help-desk, etc.) all over the implementation<sup>65</sup>.
- iii. As regards the innovative effort, in only two cases innovation has consisted in a product/process/service totally new to the market, whereas “in the majority of cases it

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<sup>64</sup> What follows is a sample of questions asked during the evaluation exercise as they can be drawn from the evaluation questionnaire annexed to the report: “Did you succeed in achieving all the pre-fixed objectives? Did the partners set up relations of trust with each other? Did the virtual strategy work? Was the level of integration in the partnership such as to boost the competitive profile of the grouping and of the individual partner enterprises? Was the initial business opportunity achieved?”.

<sup>65</sup> In the evaluators’ words: “The correct application of the VE/VO model therefore demands that the enterprises assume considerable responsibilities (and workloads) oriented towards modifying the organisational, productive and commercial structure. Instead, from the point of view of the Regional Authority, it is clear that the support for the implementation of the VE/VO model is crucial to avoid rendering the innovative contribution of the initiative futile. On the other hand, as demonstrated by the RPIA VINCI experience, this activity demands considerable efforts in the sphere of mentoring and ongoing services of assistance for most of the life cycle of the projects” (RESCO 2009, p. 61). The judgment has also been confirmed by one of the policy-officers: “carrying out this programme has been very tiring for everybody. Both us [regional administration] and participants had to face a new and complex methodology, that no one really knew how to manage” (PO<sub>3</sub> 19/05/09).

could not be classified as technological excellence” (RESCO 2009, p. 60). Moreover, only one of the four projects that have scored best (according to a synthetic performance-indicator proposed by evaluators) has included one university department/research centre in the partnership. And, significantly, the other three projects fall within the first of the three categories I have identified above: the one constituted by small suppliers/producers, that is the one which, theoretically, is the less technology-oriented.

- iv. According to more than half of the project-leaders, installing the ICT platform has not been a priority and, on average, its role has been deemed not significant for the full implementation of the project. This is an important point because, as we have seen, the ICT constituted an essential element in the architecture of the programme strategy: more precisely, it represented the lever to bridge the academic and business spheres. In the words of one of the expert who drafted the Guidelines, “the programme was called *Virtual Enterprise* precisely because identified the ICTs as an indispensable device to achieve more structured forms of networking. [...]. If results in this regard have been disappointing, I have to conclude that we have not met the final objective” (Bellandi 5/06/09).

Also drawing on the above outcomes, the report importantly concludes that the VE/VO model can be of interest only to that part of the productive system which possesses “special features not common to most of the regional enterprises” (RESCO 2009, p. 62). Consequently, it recommends that the mainstreaming of the model into standard support measures “be made with caution, and above all only in the presence of certain conditions” (*Ibid.*). Besides, the report suggests that, if Regional Authorities decided to propose the model again, this should represent a possible option among more traditional incentive-schemes, in order to screen out “in a natural manner those getting involved solely for the purpose of benefiting from the incentives” (*Ibid.*). What is more, it is advised that greater attention should be paid to the selection criteria used to assess the “innovativeness” of proposals, and that the ICT platform should always be optional. In any case, according to the evaluators, the three elements constituting the VE model - business opportunity, innovation and ICT platform - can be implemented separately, thus implying that the causal link between innovative and commercial performances is not so straight<sup>66</sup>.

As a concluding passage of this review, it can be observed that the final evaluation report’s recommendations widely resonate with those advanced by the modelling (Lazzeretti 2009) and intermediate evaluation reports (Caloffi 2007).

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<sup>66</sup> In the evaluators’ words: “we are convinced that the promotion of the networking approach can be sustained even where not necessarily linked to the business opportunity, and vice versa” (*Ibid.* p. 64).

In fact, both documents point out that the three sectors were quite different in terms of market and technological characteristics, and that this important aspect has not been sufficiently taken into account by the programme. This flaw would then be mirrored in the fact that projects' organisational structures (characteristics of the components) were rarely coherent with innovation and market objectives. In general, the intermediate report finds that the VE model was not appropriate for all the three sectors, and the modelling report concludes that the programme has not really generated projects that could be rated as best practices.

Interestingly, the modelling report also argues that, partially because of the limitations imposed by SF regulation<sup>67</sup>, only territorial proximity has been favoured, disregarding other forms of proximity (such as cognitive, institutional etc.) which are just as important for the success of this kind of programme. In support of this argument, the report draws attention on the fact that partnerships including a research centre/university have not produced - on average - the best innovative results. In its concluding remarks, the report then reasons that building networks is not a sufficient condition to have a regional innovation system; it also adds that if regional firms appear slow in adopting new models, Regional Authorities are probably too quick.

Another relevant aspect, stressed by both reports, is that many participants in the VINCI programme had already took part in other similar actions funded by Regional Authorities during previous years; in particular, 20% of the SMEs and 60% of the university departments/research centres which have benefited from funding under VINCI, had received financing also from a previous IA programme, implemented in Tuscany between 2002 and 2004. Now, what is striking is that organisations participating in more than one programme have not performed better - on average - than entities participating for the first time. According to the intermediate report, this fact is particularly negative: indeed, VINCI has put a particular emphasis on the final (commercialisation) phase of the innovation process, while previous programmes had focused more on the initial (pre-competitive research) phases; therefore, organisations participating in both programmes would have been expected to take advantage of such a "continuity" in funding.

So, even though they diverge on the overall appraisal of the programme strategy, the three evaluation reports are substantially in agreement as regards to the identification of a series of specific limitations and failures, which would have especially affected the initial phases (designing and selection). In fact, the only aspect which has been judged successful by all the reports and by other relevant actors/observers concerns the experimentation stage and, in particular, the mentoring and support activities provided by the Regional Authorities<sup>68</sup>. As

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<sup>67</sup> According to which entities which take part in a regional programme funded through Structural Funds must be located in the same region (or, better, in the territory which is under the jurisdiction of the managing authority).

<sup>68</sup> Appreciation for these aspects has been particularly stressed by the final evaluation report. However, the importance of these activities has also been confirmed directly to me by the project leaders, during

already mentioned, the managing body (constituted by Regional Authorities' staff) offered constant support and advice; it also played the role of animator, by organising a series of expert-led seminars, workshops, etc. on the theme of the VE model; importantly, both the Regional Authorities' staff and the project partners attended such seminars as participants. The reason for such a general appreciation has been explained by the author of the modelling report, Luciana Lazzeretti, in the following terms: "these support activities have helped develop a climate of trust towards regional institutions, which is probably the best result achieved by the programme" (Lazzeretti 27/05/09).

The implicit issue transpiring from the previous quotation (lack of trust between institutional actors and private operators) is significant because, as we have seen above (sec. 3.3.1), Tuscany is traditionally characterised for its widespread cooperative attitude and the permeation between the economic and political dimension. However, the deep sense of this aspect will become clear only at the end of this chapter, after we will have explored the characteristics of regional innovation governance.

Recapitulating, in this section we have seen that: organisations and territories which have taken more advantage of VINCI are also those relatively less in need; partnerships including university/research centres have been a minority and, in any case, results on the innovation side have been far from being brilliant; the central element of the programme strategy - the organisational method based on the ICT - has been almost unanimously considered not significant; territorial proximity has been evaluated insufficient (if not counterproductive) to guarantee effectiveness of networks; Regional Authorities have been basically blamed for imposing models which are not suitable for regional characteristics; there are research organisations and firms which have repeatedly and in large amounts benefited from EU and regional funding, generating in exchange modest outcomes.

In sum, this series of problematic elements can be attributed to both substantive and procedural shortfalls of the VINCI programme. On the one hand, the innovation strategy seems not consistent with the cognitive needs and practices of the vast majority of regional firms. On the other hand, the approach underlying the formulation phase appears inadequate, precisely because it is not sensitive to the complexity and plurality of those needs and practices.

On the basis of these arguments, we can with confidence conclude that, overall, VINCI has not attained the expected objectives and that the hypothesis advanced in the previous section is - at least in part - correct. As a matter of fact, most of the projects have not displayed the expected configuration (university-firm); moreover, the most successful projects have focused more on improving the nodal position within their supply/distributive chain, than on realising

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some informal talks I had with them on the occasion of the formal presentation of the programme's results.



technological innovations: given the analysis proposed in the previous section, this outcome was predictable too.

These initial research results represent thus the basis to explore the relation between the thematic elements (and the results) of the strategy put forward through VINCI and the institutional mechanisms which have underpinned its formulation. In this perspective, the first question which arises is how these results have been interpreted by the main actors, and in particular by the policy-makers. This will be the topic of the next section.

### **3.5 VINCI in the context of the regional innovation policy**

From this section onwards I will investigate the theoretical assumptions, the political ends and the procedural aspects which have underpinned the designing and delivery of VINCI. More precisely, I will first try to explain policy-makers' personal evaluations about the programme's outcomes by reconstructing the formulation process. Following that, I will frame VINCI in the context of the wider regional innovation policy, in order to further clarify its rationales and the significance of its outcomes.

The objective of this section is therefore to delineate a more precise policy-framework, through which studying the regional governance in relation to the EU dimension.

#### *3.5.1 The formulation process of VINCI*

Drawing on the official evaluation reports, I have concluded above that the programme has not achieved the main targets, so as defined in the programme proposal submitted to the European Commission. In particular, the programme has not succeeded in building new significant connections between the academic and the business spheres, nor has it engendered a consistent shift among SMEs towards more formalised forms of R&D.

When questioned on these disappointing results, the interviewed policy-officers have replied that:

"Yes, it is true that outcomes on the innovation side have been relatively weak, but the main objective was to introduce an organisational innovation which fostered more market-oriented projects. During the implementation, we pushed strongly on the market 'viability' of the projects; in this sense, the results achieved by some of the projects are encouraging" (PO<sub>2</sub> 13/05/09).

"Well, let's say that, from our point of view, technological innovation was important, but organisational innovation - that is the framework which made the various participants work together - was even more so" (PO<sub>3</sub> 19/05/09).

Therefore, from the officials' perspective, the programme has - at least in part - met some objectives, especially those related to market and organisational aspects. Now, it does not

matter here that evaluation reports cast doubt also on these alleged achievements; the point is rather to comprehend the evident discrepancy existing between the finalities outlined in the programme proposal and what is indicated as relevant by the policy-officers at the conclusion of the experimentation phase (policy-officers who - it is worth reiterating - are also the authors of the programme proposal).

In order to account for such an incongruity, it is necessary to distinguish analytically the formulation moment from the implementation one.

As regards the initial stage, interviews shed light on two important aspects. First, as predictable, the original programme proposal was drafted with a view to satisfying Commission's requirements and expectations. So, as reported by another policy-officer, "when writing the programme, we obviously introduced elements which could appear 'appealing' to the Commission, such as the idea of 'virtual', the benchmarking, etc." (PO<sub>1</sub> 08/05/09). The weight of Commission's indications is then further clarified in the following terms: "VINCI had necessarily to mirror the Commission's Communication on the *Innovative Actions*<sup>69</sup>, which urged to develop networks. Moreover, the programme had to comply with the very strict SF regulations" (PO<sub>2</sub> 13/05/09).

Secondly, but related to the previous point, it seems that the choice of the model has occurred in a rather cursory and random manner, without minding too much to its effective "viability":

"Virtual Enterprise is a label under which you can put everything. Honestly, we have chosen it also because it was generic enough" (PO<sub>1</sub> 08/05/09).

"How did we find the model? Basically, through a review of existing networking models. [...] We were aware that this model originated in a different sector compared to the target ones, but we attempted anyway" (PO<sub>3</sub> 19/05/09)

Overall, it is recognised that:

"Sectors were chosen quite randomly. We were not really prepared to manage the model, and firms were probably even less so. We proposed the model without knowing how it worked. That's why we would have needed even more support and mentoring activities" (PO<sub>2</sub> 13/05/09).

If, on the one hand, this tentative approach is justified by all policy-officers with the very experimental spirit of the overall IA programme, on the other hand, previous quotations clearly suggest - to say the least - that the designing phase was not founded on the pre-existence of a well-defined project idea. In any case, the definition of the model to be experimented appears strongly influenced by the Commission's indications.

Moving then to consider the implementation phase, we have already observed (sec. 3.4.1) that the Guidelines accompanying the call for projects introduced a series of changes *vis-à-vis*

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<sup>69</sup> She is referring to the Commission's Guidelines (CEC 2001). See section 2.4.2.

the programme proposal. In particular, we have seen that the Guidelines were characterised by a greater emphasis on the market dimension and by a relative downgrading of the role of the ICT platform. Also, we have noticed that the Guidelines provided a precise definition of the VE model, but without making any reference to the existing literature. The reasons for that have been clearly explained by the expert who led the group in charge with drafting the document:

“the VE model, as defined in the academic literature, needed substantial changes to be transposed in a productive system such as Tuscany’s: most of the regional firms are not yet structurally prepared to adopt this model in its “ideal-type” formulation [...] If we had not introduced such changes, we would have come to the conclusion that the model was totally ineffective” (Calamandrei, 21/05/09).

Whether Calamandrei’s evaluation is well-grounded or not, the fact remains that the original approach - on which the Regional Authorities obtained the EU financing - has been abandoned in the implementation phase, because no longer considered adequate.

Recapitulating, this initial overview of the formulation process delineates another important research result: our hypothesis about the “reversed logic” (sec. 3.4.1) was substantially well-grounded. In other words, interviews have confirmed the impression we had already derived from the analysis of the programme’s documents: instead of starting from an analysis of firms’ needs, Regional Authorities have first identified a tool which could appear “sophisticated and adventurous” enough to fit with the EU expectations, and have then conceptualised the problem accordingly. However, they have been subsequently forced to introduce significant changes to the original scheme in order to make it “implementable”.

So far we have thus established that the innovation approach pursued through VINCI and awarded by the European Commission has not achieved many of the expected results, and has not been devised with the characteristics of the target sectors in mind. What remains still unclear is why the interest has shifted right towards the market dimension, rather than towards any other aspect. To fully grasp the sense of previous quotations, it is necessary to make a step further, by framing the programme within the wider context of the regional innovation strategy.

### *3.5.2 Framing VINCI*

Above we have seen that the “authors” of VINCI emphasise the commercial and organisational achievements, rather than the innovative ones, and that this can be partially justified in the light of the changes made by the Guidelines to the original approach. We have also seen that one of the experts who drafted the Guidelines has explained such modifications with the necessity to make the original theoretical model “manageable” in view of the characteristics of the regional economy. However, there is also another set of factors clarifying the emphasis on commercialisation in the later stages.

When questioned on the critiques raised by the evaluation reports about the suitability of the VE model, one of the policy-officers replied by distinguishing the rationales which have led the definition of the *model* from those which have motivated the *programme*. The first level has already been analysed in the previous section; as regards the programme on the whole, my interlocutor explained that:

“we can accept most of the critiques made by the evaluators, but they have not considered two important aspects: [...Firstly] the money we used to make this programme was not ours, but it came from the EU and consequently we had to comply with the EU regulations<sup>70</sup>. That implies that you are not wholly free when you write or implement the programme. We had to take in account a long series of constraints. [...Secondly] you have to situate VINCI within a proper temporal perspective: VINCI comes at the end of a programming period<sup>71</sup>, characterised by a marked ‘experimentalism’, during which regional government has put a lot of effort in enhancing technology transfer processes. In short, VINCI comes after a series of policy initiatives which had tried to support the creation of university-firm networks. However, the projects stemming from these initiatives, although formally elegant, were mostly marked by a scarce financial and commercial sustainability. Therefore, our main objective - with VINCI - was to envisage a method which made these projects economically more sustainable” (PO<sub>1</sub> 08/05/09).

This passage thus confirms the relevance of the EU framework, and suggests a further analytical direction: the integration of the VINCI programme within a wider constellation of policy initiatives, whose results do not appear, at a first sight, particularly brilliant. The previous account closes then as follows:

[...] Many ideas were circulating before we decided for the VE model, from ‘open innovation’ models to virtual communities, etc., but, apart from the already mentioned EU constraints, there was also a political logic which induced us to continue on the same path: taking stock of previous initiatives and of an entire programming period” (*Ibid.*).

This reconstruction thus completes the picture of the objectives and rationales which have led the formulation of the programme from the policy-officers’ perspective: the EU’s IA scheme offers the (financial) possibility of carrying out a particular programming course, this being one of the policy-officers’ main driving targets; the initial designing phase is then dominated by the priority of thinking up an idea which could fit the Commission’s Guidelines; finally, the original idea is *in part* translated and adjusted to make it more adequate to what a group of experts considers to be the regional needs on the one hand, and more consistent with the results of previous analogous measures on the other hand.

Overall, this reconstruction also suggests some observations.

First, the designing phase *strictu sensu* appears circumscribed to a limited number of people, namely the three interviewed policy-officers. Indeed, as the above quoted policy-officer has further explained during the interview, he/she devised the idea (i.e. the VE model)

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<sup>70</sup> The policy-officer is referring here to two recommendations advanced by the modelling report: i) opening the networks to operators located in other regions; ii) making partnerships more “fluid”, namely not requiring a strict *ex ante* definition of the participating entities. In the rest of the passage, that I have cut down in the quotation, the policy-officer explains that both recommendations are inadmissible according to the Structural Funds’ regulation.

<sup>71</sup> The Vinci programme officially starts in 2006, that is the last year of the previous programming period of the Structural Funds.

first, and subsequently developed it together with the other two policy-officers. After that, the draft of the programme proposal was passed on to the head of the unit for approval and to the regional Councillor for political endorsement. At the same time, there were some informal talks with representatives of the regional entrepreneurial associations, mainly aiming at detecting the potential interest for the programme. However, changes introduced during these passages were - according to the policy-officer - minimal. At any rate, differently from what stated in the programme proposal, it is hard to detect in the above passages a wide and participative process. Also, the weakness of the political control over the programme formulation and implementation should be stressed: all the relevant decisions about the programme's content and management were taken by civil servants (if not by external practitioners), without any involvement or direct check by elected representatives of the Regional Council.

Second, all previous accounts point at the importance of what could be termed as a "procedural rationality". In other words, the compliance with particular formal requirements (as for the EU Guidelines) or the coherence with a sort of processual dimension (the "political logic" in our policy-officer's words) seem to play a fundamental role in orienting policy-makers' conduct. If, at a first sight, this observation may appear quite facile, perhaps less obvious is that, in actors' accounts, procedural considerations come often prior to any other type of evaluation (such as distributive, political, economic, etc.); or rather, political, economic, etc. matters seem to be ordered primarily through a procedural reasoning, punctuated by some crucial concepts, such as that of networks (we will discuss this issue more in sec. 3.6.2, when we will see how important power relations and struggles unfold precisely over a procedural playfield).

Third, and consequently, previous remarks could also elicit some heuristic implications. More precisely, the account proposed here implies that the analysis of the content, directions and effects of a certain policy cannot be separated from the contextual (space/time specific) study of the perspectives, incentives, practices, that is of the very *job* of the policy-makers who concretely carry on such policy. So, for the specific case under scrutiny, that means that policy-making is also very much a matter of mediating local instances with the necessity of assuring adequate resources in a context of international competition for funds (by means of writing fashionable programme proposals, drafting financial statements, etc.).

This represents a first - more immediate and ordinary - aspect of the relationship between the content of a policy and the institutional set-up which underpins its formulation; it is nonetheless an important aspect, as, without that, it would be impossible to fully understand how a line of policy is concretely translated and transmitted, also in spatial terms. We will go through this issue again further on, when we will see how the relationship is fairly more complex, since the thematic aspects of the policy generate in turn feedback on the institutional dimension. But to achieve this, we have first to complete the "contextualisation" of VINCI, by briefly considering the other support measures mentioned in the previous quotations.

### 3.5.3 The innovation support measures preceding VINCI and those following it

We have seen that VINCI comes after a series of policy measures, all characterised by similar objectives.

More specifically, between 2001 and 2006, the goal of developing university-firm networks was addressed by other two policy schemes: a further IA initiative (named *PRAI ITT*, between 2002 and 2004), and the so-called “Docup Measure 1.7<sup>72</sup>” (*Docup* stands for *Single Programming Document* and it corresponds to the *Regional Operational Programme* for the previous programming period).

Without dwelling too much on the content of these programmes, it suffices to say that they were widely inspired to the same logic as VINCI: while *PRAI ITT* was particularly focused on the diffusion of ICTs<sup>73</sup>, Measure 1.7 aimed precisely at promoting technology transfer towards SMEs, through the creation of innovation networks.

As to results, according to the official intermediate evaluation report, which has assessed the whole set of initiatives funded through Docup 2001-2006, outcomes produced by Measure 1.7 have not been particularly significant, “especially as regards the development of stable relationships between research organisations and SMEs” (CLES 2005, p. 5). In particular, the report finds that, overall, the intervention has generated neither an increase in R&D expenditure, nor a growth in turnover among participating firms (two results which perfectly tally with those emerged from VINCI).

A network analysis conducted by Bellandi and Caloffi (2008) on the networks activated through both *PRAI ITT* and Measure 1.7 shows that organisations playing a nodal role have been mainly research departments and technology transfer centres. Also, the relational system generated by these networks appears rather centralised, since a restricted number of institutions is simultaneously present in several projects. According to the authors, this outcome is predictable, as universities naturally tend to play a nodal function, by virtue of the wide range of competences they incorporate; nonetheless, the peripheral position of firms within the relational system is significant. On the one hand, by crossing data from this study with those from VINCI, it emerges that the names of the “nodal” institutions recur repeatedly; moreover, such institutions are those that the modelling and intermediate reports have pointed out for their disappointing results. On the other hand, the absence of “network-activators” among firms may be read as an approach’s failure to intercept the needs of the business sphere. This interpretation has been somewhat corroborated by the Secretary of the largest SMEs association in Tuscany and member of the Managing Authority of SF, Laura Simoncini:

“many SMEs have actually participated in regional innovation networks. The problem is that firms have got involved primarily because including SMEs in networks was one of the formal requirement to be eligible for funding. In other words, we must recognize that

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<sup>72</sup> Numerals indicate in a short form the different measures in which Docup 2001-2006 was articulated.

<sup>73</sup> In section 2.4.2.1 we have seen that the IA programme was articulated in three strands: knowledge-based economy and technological innovation; information society at the service of regional development; regional identity. While VINCI fell within the first of the three strands, *PRAI ITT* fell within the second one.

SMEs have often played just a “walk-on” part, and they have been unable to interact fruitfully within the networks” (Simoncini 12/06/09).

To sum up, not only has VINCI produced unsatisfactory results, but these are also fully anticipated by those emerging from preceding interventions, which failed precisely in the same points. That the regional networking strategy has been unsuccessful is, anyway, a widely acknowledged fact.

According to one of the policy-officers, “university-firm relationships are a sore point. [...] From what we have seen so far, we can’t say that results have been impressive [...] There is a plethora of technology transfer/innovation centres, innovation help-desks, etc. which are totally inefficient” (PO<sub>2</sub> 13/07/09). Another official has revealed that “there are rumours claiming that even when local firms interact successfully with local university, this happens independently from regional incentives/programme” (PO<sub>3</sub> 19/05/09). In Lazeretti’s view, “in the regional approach there has been too much attention to the ‘packaging’ - the network -, while little was inside”. Maybe, the most explicit judgment has been that expressed by the DG Development senior official:

The approach has not worked because it has not created networks, but rather an illusion of networks: as soon as the funding period got over, networks disappeared as well. [...] Some good ideas have emerged, but these networks were not grounded on any serious business perspective” (DGDO 08/06/09).

Importantly, she/he also confirmed that:

“It’s true that organisations benefiting from these measures are always the same [...]. Making networks has become a routine, just another way of making money” (*Ibid.*).

Yet, despite the substantive evidence and the agreement among relevant actors about the ineffectiveness of the regional strategy, this has been reconfirmed for the present programming period. Even though, as the DG Development senior official has later explained, there has been a shift from financing technology-offer (research centres) to supporting demand (firms), and even though there is a greater attention to extra-regional knowledge and production networks, regional innovation networks remain a cardinal objective in the latest programming documents.

Indeed, on the one hand, the *Regional Programme for Economic Development* (PRSE) sets the creation of “a regional research space and of a regional integrated technological district” as its first strategic line of intervention (Giunta Regionale 2007a, p. 60). On the other hand, the present *Operational Programme* (POR) identifies in “strengthening the competitiveness of regional territory and productive system” its “global objective” (Giunta Regionale 2007b, p. 81), which is then articulated in a series of specific objectives, the first being:

Enhancing the competitiveness of the productive system, by promoting research, technology transfer and innovation [...]: it is necessary to consolidate regional R&D capacity, and to direct it towards technology transfer activities and industrial innovation

process. *This can be achieved by supporting the realisation of joint research projects among university, research centres and firms*" (*Ibid.*, emphasis added).

Accordingly and in line with EU indications (see sec. 2.4.1), support to R&D and technology transfer has become the first area of expenditure within the overall regional development strategy, and the measure entitled "technology transfer and improvement of cooperative innovation networks between firms and university" is alone the third largest category of expenditure, absorbing 7,7% of total available resources.

To conclude, in this and previous sections we have seen that the VINCI programme has been formulated with a view to responding to both EU priorities (to access funding) and the political objective of concluding a particular policy course, which revolved around the university-firm networks idea (and, in this sense, the practicability of VINCI resides also in the fact that the two finalities are congruent). We have also seen that both VINCI and the other fellow initiatives have fallen short of many expected results; but, above all, we have found that all these measures have been characterised by exactly the same flaws and limitations.

Therefore, these findings coming from "official" sources enable us to bring to an end - at least for now - the substantive side of our inquiry. Indeed, they prove that the shortcomings of VINCI are not accidental, as they are fully consistent with the results of the whole innovation strategy, thus leaving no room to possible explanations related to the experimental nature of the programme. Moreover, such evidence is in line with data stemming from a wide series of empirical studies on similar issues (see sec. 3.4.1, 2.4.3 and 1.3.2).

However, as we have seen, in spite of these well known and acknowledged results, the approach has not been abandoned. How to make sense of such an apparent paradox? To answer that, we have to go on exploring the procedural aspects of policy-making. In particular, in the next section we will see that this contradiction is reflected in actors' accounts and that, rather than downplaying it (or, worse, writing it off), the contradiction needs to be kept vivid in order to trace the relations between regional policy, regional governance and EU dimension.

### **3.6 Following the thread: the regional innovation policy between regional governance and EU regulations**

In section 3.5 I have investigated the set of objectives, assumptions, constraints, etc., which have underpinned the formulation and delivery of VINCI. In parallel, I have taken into account the "policy effectiveness" dimension, by confronting actors' views with the results of the regional innovation policy. In this regard, we have seen that empirical evidence is consistent with actors' appraisal, to the extent that both recognise the failure of the university-firm networking strategy. I have concluded by observing that, despite this converging evaluation, the policy approach has been confirmed in current programming period.



In this concluding section, we will resume from where we have stopped, by continuing to follow the thread of the “innovation network” concept. More precisely, in the next subsection I will examine how this concept has contributed towards shaping governance dynamics, while in the following subsection I will analyse the interplay between governance configuration and the procedural mechanisms governing Structural Funds. The final objective is to provide a picture of the interrelation among the three main domains of inquiry. The very last sub-section will be dedicated to tracing possible evolutionary directions, on the basis of actors’ accounts.

### *3.6.1 Broadening the perspective to regional governance: when the business, academic and political spheres do not constitute a regional system*

We have seen that the VINCI initiative has also derived from the determination to carry out a programming course, centred on the concept of innovation networks. The question which may now be raised is why the networking approach has been originally chosen and, in particular, what has been the weight of EU framework in determining the decision.

Answering precisely these questions is not an easy task. As we have already illustrated (sec. 2.3.2), the strategy and allocation of resources set by the POR are the result of a negotiation process between the Commission and local Managing Authorities; this process takes place *in camera*, and there do not exist minutes that one can access. As a consequence, to get an accurate and balanced picture, it would be necessary to interview all the officials who conducted the negotiation on behalf of both the Commission and the Tuscany’s government; unfortunately, this has been only inadequately realised, due to time limitations and actors’ unavailability to give an interview<sup>74</sup>.

Nonetheless, some conjectures can be formulated. The most economic hypothesis is that, in the same way as for VINCI, Regional Authorities have first derived the broad approach from Commission’s indications, and have then adapted it to the regional context. Apart from actors’ accounts (that we will see right hereafter), the following facts also support this hypothesis. Firstly, the PRSE explicitly states that regional development policy is based on the CP orientations and that, in particular, it takes on the Commission’s call for an integration of industrial and R&D policies. Secondly, as seen above, there is a clear correspondence between regional and Commission’s priorities as regards the categories of expenditure. Finally, like in the VINCI case, the original concept has been adapted by external - technical - experts, namely from Pisa and Florence universities. More precisely, prof. Lazzeretti has explained that, over the last decade, a group of academics<sup>75</sup> from the Economics Department

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<sup>74</sup> Concerning innovation policy, Tuscany’s delegation should have been made of a set of three or four officials, in addition to the regional Councillor for Industry and Development (Ambrogio Brenna); I have been able to interview only one of them. As regards the Commission, some exploratory emails directed to identify the officials in charge with the Tuscany’s dossiers have been unsuccessful.

<sup>75</sup> The name of this group is *MARI*. Unfortunately, it has not been possible to access the document produced by the group. Anyway, both Lazzeretti and Caloffi have agreed that there has been a

in Florence has produced an in-depth reflection on the concept of network, shaping it on the regional context (that is adapting it to a district-like model).

Therefore, if the hypothesis is verisimilar, the problem becomes understanding whether the broad approach (the one deriving from EU) is shared by regional policy-makers or whether it is perceived as a constraint. When questioned on that, policy-officers have given rather ambiguous answers. On the one hand, they have emphasised the weight of EU indications and requirements; also, they have pointed out how, in their opinion, certain EU choices appear influenced by some “strong” foreign regions, whose interests do not match at all with Tuscany’s or Mediterranean ones.

“The Structural Funds and programmes such as VINCI have a strong territorial constraint [...] This leads to a self-centred and narrow vision which is particularly bad for a “bound” society such as Tuscany is. You end up doing the same things with the same people” (PO<sub>2</sub> 13/05/09).

“In Tuscany there is *Calp*, which is the third biggest glass producer in the world, and for them innovation is just using good materials and designing beautiful objects. Isn’t this innovation? But everybody wants to work on high-tech. [...] It is true that this obsession for high-tech is also in part the effect of EU policies. [...] The problem is that sometimes the Commission makes terrible blunders. Why? Because there are strong states and weak states.” (DGDO 08/06/09).

“The choice of focusing on networks is anyway determined by EU indications. This is true for VINCI, but it’s even more so for POR [...]. The problem is that the Commission sometimes proposes models which are not just the outcomes of its own decisions; I mean that such models are also the fruit of lobbying strategies conducted by some regions which manage to impose their systems [...] Cluster is a typical example: a lot of resources have been offered to private sector through various EU programmes<sup>76</sup>, but all of them have favoured particular forms of networking based on highly formalised structures. That is clusters. A model that you will hardly find in Tuscany or in other Mediterranean Countries. We have to recognise that we are a bit “out” of these processes; often, this condition makes us executors of models that are not part of our DNA” (Righi 19/07/09).

On the other hand, it is stated that, after all, constraints exist but are not so strict, and that the EU approach is absolutely beneficial for Tuscany and Italy.

“It is true that the Commission gives indications on the content [...] but, honestly, today innovation, ICT and environmental sustainability are the basis of any business which aspires to be modern” (PO<sub>1</sub> 08/07/09).

“Participation in many EU-funded trans-regional networks, such as *ERIK, CLUNET*<sup>77</sup>, etc. has been an important experience for us: thanks to best-practices exchange we have learnt a lot. The EU approach is important because it opens your mind, and especially the mind of regional functionaries” (PO<sub>2</sub> 13/07/09)

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reciprocal influence between regional administration and the regional academic system on the “innovation networks” issue.

<sup>76</sup> The official is referring here in particular to: *the VII Framework Programme for R&D, the Competitiveness and Innovation Programme and Inter-regional Cooperation.*

<sup>77</sup> Names of trans-regional thematic networks, mainly focusing on innovation-related issues.

[following a question of mine on why requests coming from regional associations and lower tiers of governments for support to productive investments were not accepted in the POR] We could not accept those requests because SF regulations forbid them in Centre and North Italy: they allow only investments in innovation, technology-transfer and financial engineering [...]. But on this matter, on the innovation approach, *we totally agreed with the Commission*. Because that is what we need in Tuscany: [...] we need to inject innovation and research capacity in our traditional SMEs to spur their competitiveness” (DGDO 08/06/09, emphasis added).

Therefore, we find again the same kind of contradiction that we have already detected in relation to the outcome of previous programmes. At this point, it might be tempting to explain such an apparent “schizophrenia” with the very characteristics of the CP decisional system, which determines the content of regional policy in a - more or less - surreptitious manner, thus generating ambiguity in actors’ accounts. However, besides being tempting, this explanation would also be methodologically questionable, since - following Latour (2005) - it would entail accounting for actors’ “blind” practices by adding some external social (or, in this case, psychological) factor, on the assumption that we know what actors ignore. If we are to map the net of agencies constituting the actors’ framework, contradictions may on the contrary represent an important signal to trace transformations in the “state of affairs” or struggles over power, resources and groups’ boundaries (*Ibid.*).

In this perspective, the first interesting aspect to note is that it never occurs to regional policy-makers that the unsuccessful results of the regional innovation strategy may be due to a fault of the strategy itself. Rather, they put it down to the inadequacy of regional actors (firms and university), which are said not to be able (or willing) to satisfy the imperatives of the knowledge-based economy, namely to create an effective regional innovation system. It is meaningful in this sense what the regional Councillor for Innovation and Development - Ambrogio Brenna - stated on the occasion of the official presentation of the VINCI programme’s results<sup>78</sup>:

“You know that there is someone who says that the weight of public expenditure in Tuscany<sup>79</sup> is the result of a certain laziness, of an ineptitude of the productive system at looking at the necessity of a competitive upgrade. [...] Recent reports describe Tuscany as a region in which firms tend to invest little on the innovation factors which are deemed to be the most modern, such as innovation networks.  
[...] When I go abroad and I talk about Tuscany, I evoke important images, but none of them is related to technological excellence. Yet, we have important assets in science and technology. [...] Technology-transfer from university to firms is then essential to enhance regional competitiveness. Unfortunately, on this point we have often witnessed the failure of our organisational capacity. Maybe, this is also in part due to the fact that the academic system is sometimes a world in its own [...]. It is necessary that the academic system starts serving the system of SMEs” (Brenna 30/04/09).

This stance is substantially shared by the other policy-officers. For instance, the high official has affirmed that:

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<sup>78</sup> The official presentation of the VINCI programme’s results took place during a conference held in Florence on 30/04/09

<sup>79</sup> Here Brenna is referring to the (dis)proportion of public expenditure on R&D compared with private one. See fig. 5 in this regard.

“We assume the “goodness” of the external constraint: if there had not been the European Commission, I do not think we would have had the political strength to resist to the siren songs of business associations. They want money easily, quickly and in great amounts” (DGDO 08/06/09).

And concerning universities:

“There are regions in Sweden and Finland where expenditure on R&D amounts to 6% of GDP. How can I cooperate with regions like these: it is therefore natural that they have Nokia then. If we spent 6% of our GDP on R&D, we would have developed Nokia as well. But the difference is that they have been able to transform their university in industry. [...] Our academics are unable to interact with SMEs, because they do not want to soil their hands” (*Ibid.*, similarly also Calamandrei 21/05/09).

“Regional academics are still too concentrated on districts. But the reality of district does not exist anymore. [...] University is a bit out-of-the-world; but, in general, everybody here do not think themselves to be accountable to others” (PO<sub>2</sub> 13/05/09).

Therefore, from previous quotations a clear picture emerges: regional policy-makers find regional landscape unsatisfactory and unresponsive, especially if compared with other successful regions. This standpoint seems then related to two other important aspects of regional governance.

The first one concerns a general climate of distrust which characterises mutual relationships among actors, and which appears perfectly consistent with the above described policy-makers’ attitude. So, for instance, from academics’ point of view, Regional Authorities are becoming too “invasive” as regards the research sphere, and too “business-style” in their talks.

“I am bored of hearing regional policy officers and politicians speaking like business managers” (Lazzaretti 27/05/09).

“It’s true that the Florence University Industrial Liaison Office does not work and that the University has been unable to interact with the productive world. But, on the other hand, the “top-down” approach adopted by Regional Authorities does not help<sup>80</sup>” (Caloffi 14/05/09).

Criticisms are also addressed to business associations, which would have lost their capacity to represent firms’ interest. In this sense, Caloffi and Bellandi argue that, for political and ideological reasons, Regional Authorities are stuck to a traditional model of collective bargaining - *Concertazione*<sup>81</sup> - which is no longer adequate for current times:

“The negotiation system has somewhat degenerated into a sort of oligarchy, where business representatives represent more and more themselves rather than firms, and use

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<sup>80</sup> Caloffi is referring to a recently approved regional law (Regione Toscana L.R. 20/09), which for the first time tries to regulate research activity at regional level. Express objective of the act is to favour technology transfer processes and to make research effort “more in line” with regional productive needs. The law has been strongly criticised by regional academics, for it is found to intervene too in-depth on research decisions and priorities, thus limiting academic autonomy.

<sup>81</sup> The *concertazione* model involves that for each important economic decision (consisting in a law, a fund allocation, etc.) representatives of all social partners (that is all employers associations, unions, SMEs and craft associations, etc.) are always consulted. *Concertazione* in Tuscany is regulated by regional law.

funding just to reproduce themselves. [...] Regional authorities are unable to get in contact with the productive world, because representation is not more assured by business associations" (Bellandi 05/06/09).

Predictably, similar but opposite opinions have been expressed by the representative of the largest SMEs association in Tuscany, *Confartigianato*:

"The effort made by Regional Authorities to activate more university-firm relationships has to be appreciated. [...] The problem is that Regional Authorities have always tended to idealise an entrepreneurial model which does not exist in Tuscany. That has led to the formulation of a series of theorisations about economic development in our region, which unfortunately are not fitting with reality. [...] That's why regional innovation programmes have not been able to involve effectively SMEs.

[...] You have also to add to this that universities have never been interested in the world of SMEs. But that's normal. Universities and SMEs speak two different languages and their interests are seldom convergent" (Simoncini 12/06/09).

The second important characteristic of regional innovation governance - already transpiring from previous quotations - is what, for the lack of a better term and using an old vocabulary, might be called the "dirigisme" of regional government. Such an approach appears as the result of the coupling between the policy-makers' interpretation of the strategy's failure and their full endorsement of the competitiveness paradigm (paradigm which, as we have at length showed in the first chapter, lies at the basis of regional innovation network strategy itself). Indeed, the approach is basically grounded on the following argument: Tuscany has to compete against high-tech regions; however, since the entrepreneurial system is culturally lagging behind and university appears too reluctant to interact with firms, regional government has to take upon itself the task of steering and "forcing" the territory towards more modern models.

"You need to force a bit the territory, because you have to induce the territory to grow also in terms of knowledge. [...] Therefore, I think that the task of Regional Authorities is also to disseminate models. [...]" (PO<sub>2</sub> 13/05/09).

"We have to compare with our direct competitors. We have to fill the gap we have with Lombardy, with Catalonia, with Baden-Wurttemberg, and therefore we have to run faster than they do. [...] The problem is that resources from SF, plus regional resources amount to only 1% of regional GDP. *How can one expect that we succeed in changing entrepreneurs' mentality with so little?*" (DGDO 08/06/09)

"Programmes such as VINCI are representative of how we are working to push firms towards modern forms of investment. Now, the word "pushing" may sound a bit like delusions of omnipotence. We have often affirmed that we do not want to use a kind of "godfather logic" [...]. Clearly, everything we offer has to be used on the basis of a *conviction which the entrepreneurial system must reach autonomously*; we have just produced the incentives in order that this happens" (Brenna 30/04/09, emphasis added).

The last quotation from the Regional Councillor is highly meaningful, as it closely resembles the oxymoron that we have already detected with regard to the overall CP (see sec. 2.4.3), when it imposes consensus as a condition to benefit from (a greater amount of) SF. Both stances require a behaviour which can only emerge spontaneously or, equally, they

force a certain behaviour, expecting at the same time that it is voluntarily (and gladly) chosen by those on whom it has been forced. At the end of the previous chapter, we have also argued that such a paradox could have repercussions for the politics of local development, that is on the way decisions are taken and interests are allowed for and mediated, insofar as it may restrict the room for discussion and the range of issues discussed. We will see in the next section why and in which way this is the case; here it suffices to highlight how this oxymoron emerges as a political constant at both EU and regional level, hooked to a series of correlated concepts (competing regions, innovation network, technology-transfer, etc.).

More generally, and to conclude, in this section we have seen that the competitiveness paradigm and the related policy toolbox are so deep-rooted in policy-makers' "policyscape" that, although their adoption is sometimes perceived as heteronomous, their appropriateness and political significance are never really questioned, not even in front of a clear failure. Rather, efforts are directed, on the one hand, to make original concepts more fitting to regional context by resorting to external experts' advice, and, on the other hand, to mobilise regional actors towards the common end, only to then blame them for poor results. We have also seen that this approach nurtures - or at least is consistent with - a wary governance climate, which is remarkable if compared with a received wisdom depicting Tuscany as a cooperative and consensual region, in which social, political and economic interests are blended in a coherent and successful synthesis.

We have thus approached a nodal passage of our inquiry: the relationship between the normative elements of a political *Weltanschauung* on the one hand, and the governance dynamics informing a certain polity on the other hand. At one - more specific - level, we have seen that the definition of a particular strategy (the VE model in our case) has been a rather cursory process, subordinated to other, more procedural/institutional, priorities. However, we have also seen the choice of that model (among innumerable others) has been neither casual, nor without effects on local governance. In other words, at another - more general - level, previous quotations make clear that the ascendancy of new regionalist conceptions matters and affects in-depth the local state of affairs: in fact, it constitutes a powerful cognitive orientation, which induces or legitimates certain choices, mutual expectations and, eventually, a system of relations. In short, in sec. 3.5.2 we have seen that, to understand a policy course, we have also to look at the institutional organisation which has generated it; here we realise that such an organisation is in turn influenced by the epistemic content of the approach which, at the same time, shapes the policy strategy as well. If we do not keep together these two aspects and the circular relation which binds them, it becomes hard to understand why a policy is reiterated - with growing efforts - despite its evident ineffectiveness.

However, there is something more, as the account here proposed also points to a movement which is re-defining actors' spheres of power or autonomy at regional level; more precisely, in the name of competitiveness objectives and of Structural Fund, Regional Authorities are trying to expand their influence over academic decisions on the one hand, and

on the other, to circumscribe the role of business associations. In the next section we will focus on that “in the name of”, which is crucial to fully grasp the direction of this process; that is, we will see how the relationship between governance configuration and the content of the policy approach is further strengthened by a coherent system of rules and incentives.

### *3.6.2 Completing the framework: the role of the EU and the functionalisation of regional governance*

In the previous section, we have used the term “dirigisme” to describe a particular attitude shown by regional policy-makers, who hold necessary to force the territory by changing entrepreneurs’ mentality and by orienting academic research. We have also seen that this attitude is somehow justified with the competitiveness imperative, and is nourished by a constant comparison with other EU regions (the latter being also based also on direct experiences, acquired through frequent travelling abroad<sup>82</sup>, especially in the context of EU-funded trans-regional networks).

Such an attitude is then coupled, in the field of development policy, with a distinctive “policy method”, which seems to have been lately emerging (also) as a response to the shortcomings of the previous programming period. The “method” has been plainly enunciated by our high official, who has termed it “selectivity”, but it can be detected in other actors’ accounts as well. In short, “selectivity” consists in the idea that, if Tuscany is to become more innovative, it is necessary to concentrate resources on few dynamic subjects which can assure effective absorption of funds and visibility of results. Within this framework, decisions should be taken by Regional Authorities on the basis of direct relationship with firms (thus bypassing intermediaries, *in primis* business associations).

*“Regional development policies are intentional and selective. That means that, if there is a precise objective, this has to be pursued at any cost; it makes no sense that this objective is then diluted with a series of other incoherent targets. There is a contradiction here: the European Commission wants competitiveness and wants consensus, and then it wants also Gothenburg, Equal Opportunities, attention to peripheral areas, and so on. [...] My problem is to find those who have the strength to propose a vision. Now, we are supporting those who are lagging behind; but we are not the primary school, we cannot help the last. If the last is helped, this represents a diseconomy, and it has to get out from the market. The problem of Tuscany is a structural development lag and, paradoxically, it is precisely in this situation that we need to be even more selective. [...] That’s why we agree with the Commission’s approach: in Tuscany, we do not need anymore investments in factory sheds and machineries ... we need investments in innovation and R&D.*

*[...] It is true that business associations have a “representativeness” problem and that we are relating directly to firms. During last months, a lot of medium and large companies has asked us to be accompanied in their investment plan. They come here, present their*

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<sup>82</sup> During interviews, policy-makers have frequently made reference to best-practices, that they have personally observed in their travels abroad.

industrial plan and ask to be supported through our call for proposals. *Our job is changing: we are becoming a development agency*" (DGDO 08/06/09, emphasis added)

"In forthcoming innovation programmes, it would be opportune to introduce a "fast track" option, namely a mechanism to offer specific assistance and support to most dynamic and innovative projects" (PO<sub>1</sub> 08/05/09).

Recapitulating, "selectivity" appears fully consistent with "dirigisme": Regional Authorities take the lead of industrial and cultural transformation, by staking available resources on few allegedly high-growth sectors, or on few "regional champions". Concretely, this entails that Regional Authorities turn into a sort of merchant bank, which reviews and decides to finance firms' business plans, according to quite unfathomable criteria.

This scheme is obviously censored by the representative of the SMEs association, who sees in that a strategy to deprive associations of their function. However, she also draws attention to the potential distortions that this approach involves:

"Regional Authorities have been trying for some years now to relate directly to the entrepreneurial world. Now, we question whether this strategy is worthwhile first of all for Regional Authorities. [...] Our organisation represents about twenty thousand firms: we are a complex organisation, but we have got tools to formulate mediated and shared positions. [...] If Regional Authorities speak just with five firms, they will just receive five opinions, but they have no evidence that those five opinions are widespread" (Simoncini 12/06/09).

The idea of "selectivity" is certainly grounded on some contextual and historical factors: Tuscany, and more generally Italy, have a long tradition of financial incentives distributed to firms indiscriminately. In this sense, selectivity represents a reaction to this phenomenon. On the other hand, concentrating resources on subjects who assure funds absorption is also fully coherent with the logic which governs the allocation of SF from the EU to the regional level. In other words, the objective of maximising the amount of Funds coming from Brussels has to be considered to comprehend policy-makers' priorities; as one of the policy-officers has explained:

"During VINCI, like during all the programmes funded under the SF, attention has been too concentrated on the initial phase, namely on the moment in which we commit EU funds. That's wrong: attention should shift towards the concluding phase, when you have to take stock of your and others' work. Unfortunately, this is hampered by the fact that we have to spend everything within the time limits set by the Commission. *That's why for us the most important thing becomes spending: spending as much as possible, as quickly as possible*, otherwise the Commission could withdraw the present financing and reduce future ones" (PO<sub>2</sub> 13/05/09, emphasis added)<sup>83</sup>.

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<sup>83</sup> The point has been stressed by the Regional Councillor as well: "during the latest negotiation with the Commission, we managed to secure almost the same amount of Funds as for the previous programming period; this despite the fact that the total resources available to Italy have shrunk due to the EU enlargement. We succeeded in that because in the past programming period we effectively committed all our resources. That's why I'm asking entrepreneurs and organisations to increase their efforts on the innovation issues" (Brenna 30/04/09).



To grasp the sense of previous quotations, we have to recall the importance of the “absorption capacity” principle (see sec. 2.3.2), which, along with the “additionality” one, modulates the amount of resources allocated to each region during each programming period, and which basically consists in the following idea: the more you manage to absorb (spend) now, the more you will get in the future. Therefore, “absorption capacity”, SF regulations (which only allow for investments in innovation and R&D), Commission’s indications for networking strategy, benchmarking procedures, all these elements are needed to account for policy-makers’ pressing necessity to find firms or organisations which promptly respond to Regional Authorities’ calls. The problem is that this very mechanism seems to contribute to determining certain shortcomings of the policy. In this sense, Simoncini reasons that:

“It was surely necessary to introduce stricter selection criteria and to concentrate resources. At the beginning, there was a flood of projects, and the great majority of them was really low value. And I must admit that business associations benefited in part from that chaotic situation. The problem is that now Regional Authorities are not selecting on the basis of real firms’ needs, but rather on the participants’ ability to draw up *projects which are formally exemplary, but which are totally disconnected from regional economic reality*, and consequently do not have any triggering effect. The final result is that Regional Authorities have subsidized a series of technology-transfer structures, organisations and firms which are totally dependent on public contribution to survive, as they have no market perspectives.

[...] Regional innovation programmes are written in a very complicated language, often derived from EU indications, which is very difficult to understand in its real meaning. The *Virtual Enterprise* model proposed by VINCI is a good example of this jargon. *Now, paradoxically, in front of very complicated call for proposals, it gets incredibly easy to write projects*: you just need to use the same terminology. If I just want to open an ice-cream shop, but I tell you that I’ll do it in accordance with the *Virtual Enterprise* model and I use the same technical elements to describe it, you have no or few elements to say that I’m cheating” (Simoncini 12/06/09, emphasis added).

Here we have to slow down, as we are passing through a crucial point. Simoncini’s analysis is certainly influenced by a polemic spirit; however, it wholly resonates with policy-officers’ own accounts (see sec. 3.5.2). More precisely, it helps comprehend better one of the most significant finding we have come across at the beginning of the empirical investigation, that is the development of a sterile technology-transfer industry, which now appears as the coherent result of precise political priorities, and consistent with a procedural mechanism which favours formal correctness over feasibility. What is more, the problem of the “language” of call for proposals is confirmed by one of the policy-officer: “the complexity of calls and SF regulation does not help, does not encourage a wide participation to these programmes” (PO<sub>2</sub> 13/07/09).

Therefore, the impression one derives from the previous discussion is that the system of incentives and constraints designed by the EU causes a real overturning of the bottom-up logic at regional level: instead of starting from a discussed and participated diagnosis of local needs to subsequently formulate a strategy, the strategy comes first and the local context is then demanded to adapt to it; or viewed from another angle, if the strategy has proved to be -

on average - unsuccessful, it is not the strategy which has to be changed, but the participants. This reversal, that we have already detected in relation to the formulation process of VINCI, emerges thus as a fundamental characteristic of the overall regional policy-making. From a political point of view, the reversal is determined by the necessity of securing a stable funding stream. Conceptually, it is justified by the dominance of new regionalist theorisations. Finally, in procedural terms, it is favoured by a mechanism which grants funds on the basis of the degree of compliance of regional programmes with the Commission's imperatives.

The significance of this process is then strengthened by the fact that a regional development policy does not exist beyond the one implemented through SF. In fact, available regional resources (included national transfers) are all "added up" to those coming from Brussels, in order to activate the "multiplier" set by the "additionality principle" (see sec. 2.3.2); in other words, the regional development policy *is* the regional innovation policy outlined in the *Regional Operational Programme*.

In addition to this, the Regional Authorities refer to the CP framework to block requests from social partners (as for the demand for support to productive investments) or to force certain changes (as for the regional law on research). In other words, the CP framework represents an important element around which Regional Authorities are re-defining the contours of regional governance (that is the set of actors, relations, interests and daily practices which are involved in formulation/delivery of the development policy) by means of changes to the politics of development (that is the set of rules, procedures, "consented" issues which governance hinges upon). We are not in a position to say whether the CP framework is exploited by Regional Authorities to achieve their ends, or it is rather experienced by Regional Authorities passively as a necessary constraint. What is sure is the CP mechanics enhances the development of an asymmetry among regional actors, insofar as it assigns an exclusive role of interface to Regional Authorities *vis-à-vis* the Commission, thus making them a powerful gatekeeper:

"I have given up attending the meetings of the Managing Authority, because it is pointless. There is not any possibility to intervene on the content of the POR: any change you suggest is immediately rejected by the Regional Government's staff, *on the grounds that if they accepted it, they would lose the EU funding*. They also say that the meetings of the Managing Authority are not the suitable place to raise problems, because *we have to present ourselves united and in agreement vis-à-vis the Commission and representatives of national government*. Then I ask: 'please, tell me where is the place in which I can advance my proposals and my doubts'. But I haven't got any answer so far. Sometimes you really have the feeling that this is a strategy to cut you off: for instance, they use to send you an updated version of the POR just the night before the meeting. The morning after you find out that the update concerns precisely issues which matter to you. [...]. The point is that it has not always been like this. In the past, they used to consult us well in advance of the meeting; we tried to find a common position and then, on the day of the meeting, we all played the part pretending to be great friends. I can't say precisely why this change happened; what I know is that this has happened since the Managing Authority has acquired important decisional powers. In fact, in the past it had a merely formal role" (Simoncini 12/06/09).

This passage thus confirms also the last hypothesis that we have advanced at the end of previous chapter: the architecture of the CP induces a sort of “functionalisation” of consensus at regional level that, in the name of Structural Funds, restrains dissent and narrows the room for discussion of alternatives. In other words, by setting consensus as a condition for funding, and by assigning Regional Authorities the role of sole gatekeeper, the CP favours a compression of the intrinsically heterogeneous and conflictual nature of the politics of local development, since it allows regional authorities to use “the cost of losing EU funds” as a pretext to impose their agenda on other stakeholders

Recapitulating, previous observations lead to stressing the role of the EU framework in our case-study, which cannot be interpreted in terms of mere moral suasion: in fact, the EU framework impacts on the system of relations at local level, by modifying the traditional rapport between politics and territory (an aspect which is perhaps a bit overlooked in literature):

“I think that regional government’s stress on high-tech and networking is something which derives from the EU. But this is a supposition of mine. Indeed, because of the SF system, *it is more and more difficult to distinguish what Regional Authorities do decide from what they cannot decide because they have to comply with the Commission’s indications to secure the Funds*. In other words, it is difficult to understand whether the Commission is an alibi or a cage. And you see that it makes a huge difference to me whether I have to orientate my action towards the Regional Authorities or towards the Commission, for in the latter case my capacity of intervening is fairly restricted” (Simoncini 12/06/09, emphasis added).

This last quotation contains two important aspects to reflect on. First, it better clarifies the sense of the asymmetry between the Regional Authorities and business associations: the power imbalance is clearly expressed by an information gap which is related to different nodal positions the two actors hold. However, the asymmetry has also a clear spatial connotation: while the Regional Authorities can “freely move” from the regional to the EU level, that is they can adopt “transcalar strategies”, the business association is somehow “confined” to the regional level, and is consequently unable to equilibrate the bargaining power.

Second, the quotation discloses one of the implicit question which has led this inquiry - “who decides what” - leaving it answerless. However, all the previous quotations, and especially the contradictions we have come across, suggest that, maybe, there is not even a definitive answer. And, maybe, this is a very finding of the present work.

I complete hereafter one of the first quotations with which the inquiry started:

“The money we used to make this programme was not ours, but it came from the EU and consequently we had to comply with the EU regulations. That implies that you are not wholly free when you write or implement the programme. We had to take in account a long series of constraints. But that’s normal. I cannot write something which is not in line with the POR, with the PRSE, and then these are in their turn influenced by national guidelines, by EU guidelines, the Lisbon Agenda, etc.” (PO<sub>1</sub> 08/05/09).

This quotation can be easily verified by going through the programming documents. As much as fifty pages (out of 180) of the POR are dedicated to describing the “coherence frameworks” with other programming documents. It emerges that the POR is strongly based on the PRSE which draws in turn on the *Regional Government Plan*. Both the POR and the PRSE are then said to be coherent with the EU Guidelines on Cohesion, but they are also consistent with the *National Strategic Framework*, which in its turn reflects the EU Guidelines. The EU Guidelines are then based - as we have seen - on the *Community Strategy for Growth*. At the same time, the POR takes also into account indications from *Gothenburg Agenda*; but it is also consistent with other regional sectoral programmes (such as on transports, energy, etc.) which mirror in their turn EU indications. Moreover, the POR is also the result of *Concertazione* processes at regional level, which are in their turn articulated on two levels: social partners and other institutional and governance tiers.

So, the possibility of clearly defining “who decides what” and which interests really matter fades away within this striking series of crossed references, and procedural interdependencies. This is true for the external observer but, as we have seen, for the actors too. And this happens also because the CP has expanded the space of local development politics, by bringing in the decisional process new actors (the Guidelines, SF regulations, etc), new places (trans-regional networks), and new relational dimensions (and asymmetries) which have not a direct *territorial* relation with the object (the territory) of the politics, and which cannot be ascribed to a specific scale either.

Probably, this process is neither intrinsically positive nor negative: after all, policy-makers stress the role played by the EU in “opening their mind”. The problem lies rather in formulating new conceptual categories and (again) new procedures, to avoid the risk that a decrease in the accountability of political processes occurs as a result of the detachment between territory and polity (we will come back on this point in the next chapter).

To sum up, we have seen that many of the problematic aspects which characterised VINCI, also characterise the broader regional development policy, the two being both inscribed in the same policy field created - or at least strengthened - by the architecture of the CP. In this sense, this and previous sections have shown that the EU and the European Commission are important actors of the regional politics and governance of development. Indeed, they can influence the content of local strategy, and, by changing the rules of game, they can asymmetrically enlarge or restrict the field of opportunities of different regional actors.

The EU-related intermediaries which affect the course of action at the regional level are then variegated: they can range from an abstract reference to EU’s presence and conditioning (“if we accepted this change, we would lose ...”), to - more often - a wide series of criteria, regulations, “principles”, reports, meetings, guidelines, timing, financial calculations, and concepts, such as the one of innovation networks. That is the same set of actors which come

into play in a struggle, which is played through different scales, but which has the control over regional resources as stakes (Simoncini's account of the "updated version of the POR" sent the night before the meeting is illuminating). In this perspective, we have also seen that the CP shuffles the traditionally biunique relation between a polity (and its democratic procedures) and territory, by recasting the policy-making process into a different and extended space.

This section has then cleared up another substantial point. As we have seen, the core of the new regionalist/EU policy approach lies in the idea that regions' governance has to be engineered through consensus-building strategies in order to enhance their competitiveness. In the case of Tuscany, we can conclude that this project has failed. Not only have new regionalist policies not increased innovativeness and competitiveness; not only has new regionalist "governance methodology" generated the contrary of consensus, namely distrust and conflicts; but this approach has also fostered a paradoxical reversal of the bottom-up principle, insofar as it has induced regional policy-makers to persist in policies which are clearly ineffective for the regional context.

It is therefore the whole set of theoretical assumptions, relational dynamics, and procedural arrangements, in their interplay and interrelation, which need to be taken into account to unfold coherently a certain course of policy. That has both theoretical and political implications. From a theoretical point of view, previous arguments push to look at the places (Florence, Brussels, networks, offices, conference, etc.) and the tools (decisional and disclosure rules, minutes, communication devices and habits, seminars, etc.) through which these interrelations materially occur; in other words, they induce to study *where* and *how* a policy is concretely performed. In political terms, that means that, to be effective, potential changes have to address and consider simultaneously all the identified dimensions. We leave to the next concluding chapter a summary of how these interactions have taken place in our case study. In the next section, I will instead provide a brief example of what would involve an alternative politics of local development, starting from some aspects that have emerged from the interviews, and that cannot be included in the previous arguments.

### *3.6.3 Possible directions of change*

I have concluded the previous section arguing that, to understand a policy course, it is necessary to study how and where it is performed. In a sense, and as already mentioned (sec. 3.5.2), that means investigating the very job of policy-makers. In our case-study, we could say that this job is very much a matter of writing: writing programmes first of all, but also internal working documents, call for proposals, emails with attachments, etc. The outlined arguments would lose most of their significance, if regional innovation policy were not also intended as a mundane act of writing, and reading, and comparing writings, and copying and pasting, normally with a PC in an office:

“There are thousands of ideas within the European trans-regional innovation networks. But these ideas have then to be contextualised within our productive system, within our research system, within our system of rules [...]. Unfortunately, much of our job consists in the sad task of writing programmes, by making these ideas more mundane [volgarizzare]. In other words, what we do is twisting and stretching these ideas in order to make them ‘usable’, given the set of constraints I have listed” (PO<sub>1</sub> 08/05/09).

“The European Commission requires the Regional Authorities to produce an incredible amount of paperwork, especially programming documents. [...] I think that regional policy-officers react precisely in the same way as the one who has to write a project following a complicated call for proposal does. Regional policy-officers try to defend themselves; they say: “does the Commission want me to produce in twenty day a very complex programmatic document in which I say that everybody agrees on the new strategy? Well, I will do it, by copying from previous documents, and from Commission’s documents themselves, and let’s go on.” (Simoncini 12/06/09).

When talking about the outcomes of the VINCI initiative (sec. 3.4.2), we have noted that there has been one result that has been unanimously appreciated, namely the mentoring and support activities<sup>84</sup> organised by the Regional Authorities during the experimentation phase. The final evaluation report has found that participants have greatly enjoyed such activities; for two of the interviewed policy-officers (PO<sub>1</sub> and PO<sub>2</sub>) they have been a success to repeat, while for another one (PO<sub>3</sub>) they have brought the institutional and the productive worlds closer. According to one of the evaluator - Caloffi - they have opened a new and needed space for confrontation which ought to be kept alive.

Considering what has emerged in the subsequent sections, this result has been significant far from obvious. The question which may be raised now is what kind of consequences - if any - this result has produced on regional policy-making or, at least, on policy-makers’ approach to it.

Answering this question would entail a longer a more in-depth observation, but if there is something which everyone agrees on, this is the awareness, or aspiration for an innovation policy which is something more than “writing programmes”; something which sounds like more participation and more involvement:

“It’s totally pointless to create hundreds of contact-points. [...] Why couldn’t a regional policy-officer take her little briefcase and go directly on the field, trying to understand personally how things are like? Instead of staying closed in this office, writing call for proposals ... I would like to spend more time outside. [...] The *Lobyact* project<sup>85</sup> has been my greatest satisfaction, because they were completely unknown and they did not know anything about EU programmes. Because we have to create the conditions to make people participate. Because if you go out with your briefcase and meet people and say: let’s do something together, maybe there are some opportunities, etc., nobody will say no. The problem is that is difficult, tiring, and the complexity of

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<sup>84</sup> As we have seen, these activities consisted both in technical advice offered by regional staff and in series of experts-led seminars, workshops, etc., that the Regional Authorities’ staff and projects representatives both attended as “learner”.

<sup>85</sup> *Lobyact* was the project which had scored worse in the selection phase, and it was constituted only by SMEs, which took part for the first time in a regional innovation programme. By the end, this project has been one of those which achieved the best results.

Community regulations does not help. [...] What we need is to start learning to learn together, regional functionaries and the business world" (PO<sub>2</sub> 13/05/09).

"You are right when you say that there is a big problem concerning human capital. [...] We would need to train hundreds of technology-transfer agents: people who go and visit firms with their briefcase. The problem is that we use resources for training to do stupid things or to finance universities which are close to bankruptcy. Look, there was a colleague of mine who is now retired. He was called the Master, because he had this idea that every two or three days he needed to go out: he would say that he couldn't breathe in the office. So, he would take his pipe with him and he would go out. Once he is told that there is a furniture firm which had an innovative project. So he goes to speak to the entrepreneur: 'there is no problem: give me the project and we will finance it through the FP for R&D', says the Master. Then the entrepreneur shouts: 'Beppi come here and explain how the project works'. When Beppi comes, the Master asks him: 'so, where is the project?' And Beppi: 'the project is here' pointing at the head with his forefinger. These are our SMEs. We would need to find all these Beppi and help them to write down the project and engineer it" (DGDO 08/06/09).

What seems to transpire from previous passages is a plea for a totally different way of thinking about, and organising the relationship between the institutional and the productive worlds. A break which requires a radical change in consolidated roles, and in what matters in local development policies. Stretching a bit (or maybe too much) the sense of previous accounts, one could say that there is the same difference between "writing call for proposals" and "taking the briefcase", as there is between conceiving of regions as action units or action spaces. In the former case, all the attention, resources and efforts fall on complying with guidelines and complex regulations, and on forcing territory into some abstract model. In the latter case, the priority is - as notably expressed by one of the policy-officer - "learning to learn together". In the latter case the primacy is on comprehending - in its etymological sense - on grasping together what counts, also by making clear (instead of compressing) struggles and divergences.

To conclude, previous quotations also shed new light on the contradictions we have met during the analysis, which now appear as a - very natural indeed - tension between conflicting rationalities, objectives and frames of reference (a conflict which is related, to some extent, to the powerful entrance of the EU).

Whether there is someone who will take the briefcase - overcoming inertia, laziness and constraints - clearly remains an open question. What is probable is that the thread of encounters and talks would take the woman or the man with the briefcase to wander well far from regional borders.

## **CHAPTER IV: THE LINK BETWEEN NEW REGIONALISMS AND COHESION POLICY - THEORETICAL IMPLICATIONS AND ALTERNATIVES FOR POLICY**

### **4.1 Introduction**

This concluding chapter is composed of two different, but connected, parts.

Firstly, I will summarise the findings from the case-study in the light of the theoretical framework I developed in the first part of this work. The objective is to determine whether the theoretical arguments are consistent with the empirical results. The test will consist in providing a reconstruction which enables us to interpret coherently the phenomena under scrutiny.

Secondly, I will try to identify what possible implications for theory and policy the case-study involves. To do that, I will relate the incongruities detected in actors' accounts with the contradictory frames of reference that the association between new regionalist theorisations and CP's policy practices creates. Drawing on relational perspectives, the objective is here to delineate the characteristics of an alternative politics of place based on a different spatial conception, which interrogates coherently and in-depth the significance of heterogeneity in space and autonomy in policy-making.

### **4.2 Summarising research results: the link between content and procedural aspects in the EU regional policy**

In section 2.4, we have seen that the EU *Innovative Action* programme responded to two goals.

The first - more direct - was to raise the innovative profile of less favoured regions. The second - more subtle but not less crucial - was to increase awareness among regional actors (not only regional authorities) about the importance of investing in "intangible assets"; for this reason, each IA project at regional level had to be formulated on the basis of a bottom-up and comprehensive process.

The analysis of the case-study in the previous chapter has shown that, as far as the Tuscany's innovation policy is concerned, none of the above objectives has been achieved. On the substantive level, we have seen that the VINCI programme, as well as other similar programmes implemented during the same programming period, has not generated an increase in firm-university relationships. We have also observed that the idea of transferring technologies from high-tech sectors to low-tech ones did not succeed, and that no best practices have emerged from the experimentation phase. What is more, better performing projects have been those which did not include university in their partnership and which were



directed more to upgrading the nodal position of partners, than to developing technological innovation. Overall, we have observed that all the efforts made to bridge university and SMEs have been ineffective (at best), or they have eventually created a sterile technology transfer industry, dependent on public funding (at worst).

As to the governance dimension, we have seen that the VINCI programme has been actually formulated by a restricted number of regional officials, in the framework of a rarefied debate and of a feeble political supervision. More precisely, policy-makers' accounts have made clear that the definition of the strategy followed quite a procedural reasoning (compliance with EU and regional programming documents) and that, consequently, technicality prevailed over political considerations (that also includes the practice of turning to external experts to draft strategy documents). For these reasons, we have concluded that, far from being the result of a participative process, the formulation of VINCI represents the reverse of a bottom-up approach: instead of developing a policy idea starting from a context analysis, it is the context which is forcefully shaped on the idea. We have also remarked that this mechanism is consistent with a broader policy method, according to which regional authorities deem it necessary to change regional actors' mentality. Finally, I have argued that this attitude is reflected in the mistrustful climate characterising regional governance, where everyone blames everyone else for the disappointing results.

At this point, one could object that the causal direction should be inverted. In other words, following new regionalist theorisations, one could argue that if VINCI and other similar programmes have failed, that has happened *just because of* the conflictual governance relations and of the "reversed logic" followed during the formulation phase. However, what I have tried to show throughout this work is precisely that the way in which regional innovation policy is designed and implemented in the context of the CP cannot be separated from the content of the strategy itself, since both dimensions are based on the same spatial conception. In other words, my argument is that the institutional arrangements and relations which preside over the formulation/delivery of innovation policy from the EU to the regional level are - to some extent - necessarily implied by the same spatial reading which also informs the whole development strategy.

To ground this argument, we have to go back to chapter II, where we have seen that the EU has adopted from new regionalism the theoretical framework for its new Cohesion Policy. In fact, shifting from an initial redistributive/relativist conception of cohesion, the new approach has been centred on a self-contained definition of development, and on the consequent idea that regions have to compete against each other on the basis of their endogenous resources. The new approach had two advantages. First, it promised to reconcile competitiveness and cohesion: by unlocking regional potential, a greater territorial balance could be achieved, without causing any market distortion and, thus, any loss in the aggregate output. Second, it responded to a Commission's ambitious political project. Indeed, transforming regions in

action units involved strengthening their institutional capacity; that in turn meant empowering an alternative - and more Commission-dependent - tier of government which counterbalanced national governments' influence<sup>86</sup>.

However, the realisation of this programme encountered two hurdles. On the one hand, it posed the problem of how the policy tools proposed by new regionalist models could be transferred into regional programming. On the other hand, it raised the *dilemma* of how to build - among regional institutional and social actors - consensus around the innovation strategy. In fact, as highlighted in section 1.2.4, the emergence of co-operative and consensual dynamics has been indicated by new regionalism as a key prerequisite to trigger local development; moreover, the creation of local "development coalitions" was functional to reinforce the political weight of the regional level.

The first problem has been resolved through the system of sanctions and incentives which regulates the management and, above all, the allocation of SF. As we have seen (sec. 2.3.2 and 3.6.2), the "additionality" and "absorption capacity" principles push strongly towards a concentration of resources on Commission's priorities; the phenomenon is particularly evident in regions like Tuscany, where SF represent the main - if not the only - resource for development policy.

As for the second aspect, this was meant to be tackled in two ways: by setting consensus as a condition for regional partnerships to increase the amount of SF, and by means of particular programmes - such as the *Innovative Actions* - which involved a direct relation between Commission and regional authorities. As mentioned above, these programmes had the objective of inducing a cultural change among regional actors. More precisely, as explained by some scholars who contributed to devising the programmes' strategy (see sec. 2.4.2.2), the underlying rationale was to use networking as a sort of governance technology to engineer regional institutional configuration, on the assumption that the scarce innovative propensity of less favoured regions was to trace back to an cultural-institutional failure.

It is precisely at this stage that a logical short-circuit occurs. It affects directly regional governance, as it consists in requiring (or trying to induce) a certain institutional condition (being consensual), that can only emerge autonomously; also, it means that regions are expected to draw up their strategy on the basis of a bottom-up process, on condition that such a "context-sensitive" strategy corresponds then to the Commission's Guidelines.

Therefore, this is the passage - in terms of both procedures and content - which reveals the intrinsically contradictory nature of new regionalist policy propositions. Borrowing the famous Henry Ford's adage, it is like saying that "any customer can have a car painted any colour that he wants so long as it is black", where the customer clearly represents the regional actors, while the colour symbolizes the direction of the development strategy. So, the short-

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<sup>86</sup> As we have seen in sec. 2.3.1, this objective is clearly expressed by the Commission in its White Paper on governance, which assigns regional and municipal governments the role of primary interface with citizens to channel EU policy.

circuit surfaces primarily through the procedures underlying the designing process; however, its effects become significant precisely because the “black colour” (that is the territorialised definition of development) covers up the more variegated spatial palette which characterises social and economic relations, thus making the related policy tools ineffective.

The crucial point is that this short-circuit is inevitable. Indeed, if economic performances depend on endogenous social factors - as new regionalism posits -, the only possibility to boost development resides in socially-engineering those factors. In other words, the policy method used by SF and the IA programmes represents the only way to transform an analytical approach stressing the endogenous nature of economic dynamics in a normative policy scheme. That is why, eventually, procedural and substantive dimensions are bound together in the context of the CP.

This perspective thus enables us to clarify some of the most important results stemming from fieldwork.

We have seen that (sec. 2.3.1) the Commission’s *White Paper* on governance clearly identifies “the development of partnership at intra-regional level [...] as an essential precondition for the formulation of territorial development strategies”. However, the CP’s institutional arrangements assign regional authorities the monopoly of the relations with the Commission, thus turning them into real gatekeepers of informational and financial flows from the EU to the regional level. Now, given the competitive context in which EU funds are allocated, the main problem for regional authorities becomes to *think up* a strategy which might appear as convincing as possible to the European Commission.

Therefore, this mechanism sheds new light on why the formulation process of VINCI has been a restricted process; it also helps to comprehend why one of the interviewed policy-officer depicted his job as the “sad task” of writing programmes by adapting the innovative ideas which circulate within European networks to the discouraging local reality: the realisation of the EU regional policy is, in other words, very much a matter of writing programming documents, by complying with a long series of legislative and thematic constraints.

The mechanism also clarifies why the regional projects funded under the SF are selected more on the basis of their “formal elegance”, than on their real capacity to enhance local economy. The priority is in fact to commit SF as quickly as possible in projects which appear as innovative as possible in order to maximise future funds (see sec. 3.5.2).

Finally, the mechanism illustrates why, far from representing an occasion for discussing alternative choices and bringing up different interests, public-private partnerships are actually contexts in which already-taken decisions are transposed: as Benz and Eberlein (1999, p. 339) had already found out, “the cost of losing European funding” becomes an instrument for regional governments to restrain other stakeholders’ contentions and demands<sup>87</sup>. So, the

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<sup>87</sup> However, the two authors then concluded that the CP system “successfully copes with challenge”

mechanism also reveals that the pretended wide agreements reported in programming documents may in reality hide power struggles over resources and political influence, in which the EU regional policy comes to play an important role (see sec. 3.6.2).

Of course, there is more. The EU regional policy generates a set of constraints and incentives which certainly influence regional policy-makers' decisions and movements but, at the same time, also represent a condition for their action. In other words regional actors are not just puppets but, also through the EU policy framework, they fully deploy their own theories, ambitions and projects. In this perspective, if, as argued, regions as action units are fictitious creations, this does not mean that, once created - in both material and theoretical terms (i.e. as institutional arrangements and as political ideas) -, they will not then produce very real effects.

When the idea that regions have to compete against each other becomes a political tenet, "selectivity" as policy method (see sec. 3.6.1) represents then a coherent approach, and regional policy-makers can legitimately aspire to be the leaders of economic transformation, by selecting the progressive part of the entrepreneurial world (which criteria are used to select firms and innovative idea remains then an open question). Similarly, conditioning research and creating a "regional research space" (sec. 3.5.2) becomes a decisive step towards the creation of a regional innovation system, that regional policy-makers can show off within their trans-regional innovation networks.

From this stance it then makes perfectly sense saying that "regional authorities are not a primary school" and that "there is not time for losers" (sec. 3.6.2). By the same token, the fact that innovation programmes tend to benefit those firms and those territories which are relatively less needy is not only unproblematic, but is something to be reinforced indeed (in this sense goes the idea expressed by regional officials that best performing projects should benefit from a "fast track" mechanism).

The final result looks very much like a "new centralism" at regional level, which casts many doubts on the allegedly automatic relation between greater spatial proximity of decision centres and greater democracy/accountability.

At this point is important to reiterate that the present research work focuses on a specific programme, implemented in a specific region, during a specific time-frame. Consequently, the reported empirical findings cannot be projected to other regions (especially outside Italy), or to other times (even in the same region). All the relations I took into account to reconstruct the puzzle/object of my inquiry are spatial-temporally situated, and so are the actors which interlace those relations: from the regional authorities' officials, to the Italian constitutional provisions (which have repeatedly changed over the last years), to the district tradition in Tuscany.

What is more, this inquiry has some substantive limitations. In particular, the account here presented may be enriched by enlarging the network of actors to: the final recipients of SF at regional level, the Commission administrators, the EU-funded trans-regional networks. In other words, the proposed reconstruction could be further expanded by following the threads of actors' movements and interactions, thus making the image emerging from the puzzle sharper.

Nonetheless, it has been possible to predict some of the observed results on the basis of the existing literature, and on the basis of reasoned conjectures concerning the probable effect produced by some concepts, mechanisms, etc., on a certain course of action. It follows that, although not generalisable, the results stemming from the case-study can still be illustrative of a particular phenomenon and, we argue, some related reflections may remain appropriate for other similar state of affairs. And it is by following this line of reasoning - within the above mentioned limits - that the next section will engage in an attempt at unveiling the shape of an alternative approach to the politics of local development

### **4.3 Theoretical and political implications**

Throughout this work we have followed the intertwining of an influential theoretical approach and an important economic policy in Europe. In the first two chapters I have examined the nature of this relationship, and I have argued that, in the context of the EU regional policy, theory and praxis are reinforcing each other. Indeed, drawing on new regionalist perspectives, the CP has been promoting the strengthening of (sometimes new) regional institutional actors, which are now coherently and legitimately pressing for further expansions of their domain of competences. Crucially, these claims tally with new regionalist indications, and thus substantiate, in a cumulative fashion, both new regionalist analyses and the pertinence of the CP approach. However, I have also argued that such a coupling is intrinsically problematic and, in the previous chapter, I have tried to sustain this argument, by providing an empirical account of the disappointing - if not negative - effects produced by new regionalist policies in a specific region.

Which implications does this inquiry thus involve for theory? And what kind of political recommendations could be formulated on these bases?

One of the most interesting - and challenging - aspect emerging from the case-study is probably represented by the contradictions in actors' accounts; contradictions which concern important issues, such as the assessment of the programme's results, the evaluation of the Commission's influence on regional policy-making, the opinion on the appropriateness of the EU innovation approach. In the concluding passages of the analysis of findings (sec. 3.6.3), I have argued that these contradictions have to be ascribed to the conflict between different

frames of reference, which characterises policy-makers' field of action. In particular, officials' accounts seem to reveal a twofold tension: on the one hand, a clash appears between what their experience would suggest them doing, and the practices that consolidated routines and administrative procedures impose on them instead; on the other hand, they oscillate between obstinate aspiration and critical acceptance as regards the priorities and the fashionable concepts stemming from the European Commission and trans-european policy networks.

The hypothesis is therefore that important insights to answer previous questions might come from unfolding such discordant rationalities; in particular, their significance could be grasped in the light of the incongruities that the Commission's translation of new regionalist policy propositions has produced on the politics of local development.

In order to explore this hypothesis, we have first to resume briefly the thematic correspondences which link new regionalism and the EU regional policy.

We have seen that, despite its heterogeneous theoretical foundations, new regionalism develops a clear spatial conception, which involves a set of policy measures to be delivered in the framework of a coherent politics of place. More precisely, setting out from an ontological distinction concerning the nature of proximate rapports as opposed to distanced ones, new regionalism advances a territorialised and punctuated definition of development, which revolves around the role of localised learning and the importance of trustful relations. Consequently, territories (regions) are conceived of as bounded and coherent systems of contextual knowledge underpinned by collaborative institutions, which compete in a ruthless and entropic global on the basis of their endogenous potential. This vision naturally leads then to calling for a regionalisation of economic governance, and for a correlate downscaling of policy-making: this would actually represent the obligatory strategy to cope with the threats posed by a pervasive globalisation. The final outcome is an organicistic politics of local development, which sets the fusion of science and industrial policies in a new comprehensive innovation policy as its paradigmatic intervention scheme, and which identifies in consensus-building and local networking its typical procedural dimensions.

On the basis of this schematisation, I have argued that the *Multi-Level Governance* system - of which the CP is said to be the most accomplished example<sup>88</sup> - widely draws on new regionalist thinking. Indeed, it designs an action-framework in which regions are regarded as a constellation of action units, each of them facing autonomously *their* globalisation challenge to secure *their own* economic prosperity<sup>89</sup>. As mentioned above, within such a perspective regional governments are then identified as the Commission's main interpreters, and other regional stakeholders are more or less implicitly demanded to huddle around regional authorities in support of the (EU-derived) development strategy. Overseeing this framework we eventually find the Commission, whose role is thus to compose the inter-regional

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<sup>88</sup> According to the EU *White Paper on Governance*. See sec. 2.3.1.

<sup>89</sup> For this reason, after the last reform, the spatial coverage of the CP has been extended to cover all the EU territory (see sec. 2.2).

competition dynamics; the CP then represents the device to orientate development priorities in regional plans and to assist less favoured regions in their “self-sustained” development effort. More precisely, in line with an endogenous conception of development (which, although sometimes overlooked, implies correlatively an endogenous justification of underdevelopment), assisting less favoured regions involves offering those sophisticated policy tools - such as clustering, innovation networks, spin-offs, etc. - which enable them to grasp “the opportunities offered by the new economy for catching up swiftly” (CEC 2001a, p. 2; see sec. 2.4.2.1).

As one can easily note, not only is the outlined institutional configuration fully consistent with new regionalist theorisations, but it represents a condition for their actualisation. In other words, the MLG system devises a series of procedural mechanisms which are intended to prepare the adequate institutional ordering for the implementation of the new regionalist policies. That is why, once again, the analysis of the policy content cannot be disjointed from that of the institutional arrangements, both aspects being the emanation of the same spatial conception.

Clearly, by adopting new regionalist perspectives and rationales, the MLG system and the CP also inherit the related problematic features, thus giving a plastic representation of their effects. These have been described in the previous chapter and partially summarised in the opening section of the present one; here it is worth recalling the following points:

- Firstly, the new regionalist/CP innovation strategy has proved to be ineffective, that is, it has not generated the expected triggering effects on local economic processes. As relational approaches have extensively illustrated, the fundamental theoretical problem is that, in contrast with what new regionalism assumes, spatial determinations (local/global, near/far, etc.) do not possess any intrinsic property, that is, they cannot determine the characteristics (intensity, frequency, etc.) of the associations which underpin economic mechanisms. Due to this flaw, new regionalism fails to see that the innovativeness of firms, as well as their (more decisive) profitability, are strongly linked to the technological trajectory of the industry in which they operate, and to their relative position (and bargaining power) within it. Also, as the case of Tuscany confirms, the technological specialisation of key regional industries can be totally disconnected from the fields of scientific scholarship in which local universities excel; scientific excellence which is then normally nurtured through national or global links. The conclusion is that an approach which prioritises local links is at best misplaced to deal with the essential spatialities of economic dynamics.
- Secondly and with regard to regional governance, the attempt to induce consensus “from above” has actually generated conflictual institutional rapports and dirigisme. Apart from the repeatedly remarked contradictory nature of this method, it can also be observed how the tendency showed by regional authorities to reproach the entrepreneurial system and

the academic world for their inadequateness is perfectly consistent with an endogenous explanation of the causes of under-development.

- Besides these two critical issues directly stemming from new regionalist conceptualisations, the CP adds then another specific contradiction: this resides in the fact that, while fostering a territorialised conception of development and policy-designing, the CP has actually contributed to extending regional governance arena outside its territorial borders, by bringing into play external actors (see sec. 3.6.2). This has produced power asymmetries at regional level, which have negatively affected the local politics as well. Two main consequences have been highlighted: on the one hand, we have detected a greater opacity as regards the political responsibility for decisions (concerning both where and by whom decisions are taken)<sup>90</sup>; on the other hand, but in a related manner, we have observed other regional stakeholders reduce their involvement in the policy-making process. It is interesting to note, in this sense, how these two outcomes constitute the exact opposite of the two main objectives and rationales set by the *White Paper on Governance*, namely a greater accountability of regional decision-process (on the assumption of a correlation between spatial proximity and democratic control), and a larger political participation as a result of the opening up of the policy-making.

It is therefore against this background of disappointing results and conflicting political priorities that the discrepancies in actors' accounts acquire heuristic significance, thus also offering an advanced stepping stone to draw some concluding remarks from this research work.

I have mentioned above that the quandary in actors' narratives touches two essential dimensions: the nature of practices through which a policy is performed, and the ends, that is, the normative orientation which informs that policy. Condensing previous arguments, we could say that these dilemmas allow us to better specify the two essential theoretical and political incongruities which skew actors' frames of reference, and which are the result of the coupling between new regionalism and the CP. The first incongruity concerns the mismatch between the fluid geography of both economic *and* political relations on the one hand, and the nested and scalar conception of development and institutional rapports upon which the MLG still rests on the other hand. The second one has to do with the emphasis on the local adaptability of policy options, and the concomitant call for confrontation and conformation to best performing regions.

Given the line of reasoning pursued throughout the work, possible responses to such decisive issues have to be envisaged within a perspective which embraces simultaneously both procedural and substantive considerations, since both elements contribute to defining the

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<sup>90</sup> The quotation from the business association representative (sec. 6.3.2), concerning her inability to ascertain whether the "EU is an alibi or a cage", is highly meaningful in this sense.



space of opportunities of actors. What follows is thus an attempt at delineating the contours of an alternative politics of local development which builds upon this conceptual standpoint.

As for the first of the two tensions disclosed by actors' accounts, we can maintain that, if the idea that development depends solely on the endogenous potential is theoretically and empirically ill-founded, then the policy focus clearly needs to be readjusted as well. Drawing on relational accounts, I have already argued (sec. 1.3.3) that development policies should pay greater attention to the economic, cultural, and infrastructural conditions which determine the intensity and quality of local actors' enrolment in trans-local networks. Similar indications have also emerged from the review of empirical studies on Tuscan traditional sectors (sec. 3.2.2) and, finally, also from the VINCI programme itself, whose results have testified the importance for traditional firms to improve their nodal position within extended production- and distribution-chains.

However, abandoning an absolute and territorially circumscribed conception of development also involves shifting attention towards the spatial relevance of other - non-economic - policies and decisions. "Spatial" in this case has a double meaning: it refers to the spatial impact of "non-territorial" policies, such as decisions on big modal infrastructures, interest rates, trade agreements, etc. (according to some observers, Tuscany's craft firms present difficulties would be explained more by the "strong Euro" than by the financial crisis *per se*); but it also points at the very material spaces where these policies are developed and decided<sup>91</sup>.

In relation to both aspects, the Tuscan policy-makers' comments about the alleged influence of strong regions/states over the models adopted by the Commission (sec. 3.6.1) are interesting and would deserve further empirical investigation. In particular, policy-makers have drawn attention to the importance of trans-regional policy networks, whose membership appears crucial, since these networks would play a central role in building the concepts and the alliances which affect the Commission's decisions; decisions which then have spatially differentiated economic effects (as policy-makers have highlighted with regard to the Commission's predilection for high-tech sectors and formal clusters).

From an analytical point of view, the reference to the political significance of these networks indicates an important feature of European governance: within the EU institutional space, actors are mobilised through heterogeneous sets of connections which cut across levels and territories, as they are interest- rather than territorially-based<sup>92</sup>. Therefore, in this

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<sup>91</sup> Actually, both aspects have been taken into account by the EU. The issue of the spatial impact was thoroughly analysed in an interesting document, named the *European Spatial Development Perspective* (CEC 1999b). The document proposed a series of concrete correctives and it was solemnly endorsed by the EU Council; nonetheless, it remained dead letter (see sec. 2.3.1). As for the second aspect, the *White Paper* on governance clearly states that decision-making is increasingly becoming a "polycentric process"; however it does not make a step further to see whether this polycentrism is balanced.

<sup>92</sup> One of the first and most celebrated example of these networks - called *Four Motors for Europe* - included four regions (Rhône-Alpes, Lombardy, Catalonia, and Baden-Württemberg) which were not contiguous and had not territorial interests in common, if not the one of lobbying the Commission to have

context, policy-making emerges as an increasingly mobile practice, which can alternatively get dispersed or, more often, concentrated (normally in Brussels<sup>93</sup>), and which rewards the actors' capacity to interlace and enter relevant networks.

The interpretative tools developed within relational accounts appear in this sense more adequate than other more "territorial" approaches to grasp the effects of this new governance practices on the uneven geography of development. In fact, if it is probably true that there exists a tension between territorial and relational perspectives (sec. 1.3.4), on the other hand, the risk identified by Pike and Tomaney (2009, p. 29) that relational accounts may "underplay or disregard the continued import of the territorialities of institutions and boundaries in governing economic development" seems overstated. As I have tried to show in the previous section, adopting a relational perspective does not prevent us from recognising that, once created, regional institutions do actually "regionalise" territory through various devices (in the case of Tuscany, they were the "regional research space", the "regional champions", etc.). But what this approach adds to other research programmes is a greater sensitivity to the spatial fluidity of new institutional settings, as well as to the increasing *topological* interdependencies which characterise processes of institutional and economic change. So, relational approaches allow us to conceptualise the EU not as a monolithic entity which stands above nation states, but rather as a complex and trans-scalar entanglement of networks, policy arenas and institutional arrangements which may or may not have a clear territorial expression, but which surely have spatial-economic consequences.

In general, once we leave an endogenous and punctual definition of development for a relational and unfolded one, then the institutional set-up which underpinned the former has to be rethought as well. This is part an empirical realisation, part a normative stance which enables us to frame the most crucial question, which addresses the second of the two tensions revealed by actors' account: "which kind of politics does help decide what matters for the 'local'?"<sup>94</sup>

This question, which is actually made up of two related interrogatives, is inescapable if we want to maintain the fundamental assumption that what matters is not the same for everyone

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a regional policy more attentive to very industrialised regions. In a similar logic, it is worth observing how the public hearings that the Commission organises before adopting strategies, working plans, etc., involve all the actors (singular or groups) which have been able to acquire the status of interlocutors and which are able to express a position, regardless if they are territorially-, interest- or in other fashion organised.

<sup>93</sup> The plethora of regional, trans-regional, municipal and other kinds of liaison offices (along with the industrial equivalents), which have been created in Brussels over the last thirty years, means that when actors "jump" scales to increase their nodal power, they do not jump in a "global void", but in very precise places indeed. Also, the recent trend towards a transfer of regulative and supervising powers away from the Commission - Brussels - to *ad hoc* agencies around Europe may be read as decentralisation attempt carried out by Member States: the diplomatic struggles accompanying the decisions over the localisation of these agencies decidedly corroborate such an interpretation

<sup>94</sup> A question which, according to a functional logic, new regionalism had substituted with "[how to] establish inter-institutional co-ordination, linkages and collaborative networks among the different elements and players of the regional innovation system [...in order] to translate 'knowledge' into regional GDP" (Oughton *et al.* 2002, p. 105).

everywhere and that, consequently, a theoretical approach can aim at identifying new policy issues (as I have tried to do above), but it cannot also prescribe the political responses to such issues (and even less the related governance relations). Therefore, if we accept that there can be various responses to the second part of the question (“what matters”), then the first one needs primarily a procedural answer, namely to enlarge as much as possible the spaces for confrontation, both at the EU and the local level.

In the framework of the CP, this would entail an initial and simple change: opening up the negotiation process over the determination of regional priorities and the consequent allocation of SF. Opening up, in this context, has two connotations. First, it means publicising the content of the negotiation and the relative positions, so that the responsibility for decisions can be identified more easily (as we have seen - sec. 2.3.2 and 3.6.1 - the negotiation takes place *in camera* and this is one of the main factor which determines the information asymmetry at regional level). Second, it entails to extend the negotiation process to other regional stakeholders or, at least, allow them to participate as observers. That would prevent regional authorities from employing EU issues to pass surreptitiously their agenda out of an extended and equilibrated discussion. That would also foster debate at the local level about how to make the most of EU resources, thus helping to better specify local priorities as well.

This last issue leads us to another procedural facet of institutional change, which concerns more directly the politics of the “local”. In general terms, such a change can be synthesised as follows: imagining regions as action spaces, rather than as action units. Indeed, it is precisely because regions are constituted and nurtured by overlapping networks of varying extension, each one with its own interests and rationalities, that the “local” comes without any automatic promise of collaboration or “better knowledge”, as regional policy-makers themselves have recognised (sec. 3.5.1). For this reason, a policy methodology which aims mainly at composing different interests in a consensual development plan is not only fatiguing, but it can be perilous too, if not all the interests have the same capacity or possibility to emerge. As a consequence, if consensus-building is to remain as a possible procedure, this has to come as the second step - at best - of a political process which seeks primarily to give full visibility to the diverse interests and, hence, to the possible dissonant experiences and practices which insist on the “local”. Concretely, that means increasing the accountability of decision processes, by making public all the criteria, rationales, actors and discussions which have produced a certain act; that also means adopting confrontation, instead of consensus, as constitutive dimension of the local politics.

In this sense, a tiny anecdote may be illuminating of the intrinsically conflicting nature of the “local” and of the consequences deriving from not making visible the different interests which act upon the same small corner of the world. Some journalists (Giannini 2007) have recently reported that a group of small craft textile firms in Prato put pressure on local fiscal authorities to increase controls over the increasing number of local competitors which employ

black labour, thus dumping illegally the supplying tariffs. Eventually, it has emerged that these controls would have been hampered by the big *maisons* and their intermediaries, which greatly rely on this low-cost supply; *maisons* which have their headquarters right next to the craft firms<sup>95</sup>.

In conclusion, if we want to provide a response also to the substantive side of the previous question (“what matters for local development”), we have necessarily to go back to the actors. We have seen that, as regards innovation policy and the Tuscany’s case *only*, regional officials have expressed the desire for a less “document-writing” and more participative politics: so that all the *Beppi*, who have innovative ideas but who have not the good fortune of working for *Google*, can find a context where discussing such ideas and maybe finding some help to realise them.

Would that be appropriate and sufficient to trigger local development in Tuscany? The academic answers can be disparate, and all of them can certainly enrich the political debate; the important is that the political debate takes place. In other words, in the context of the EU regional policy, none of the potential answers should be - more or less surreptitiously - imposed from above: if “context-sensitivity” has to remain as a main policy orientation, then the Commission should really and definitely make a step back from the aspiration to find a recipe which can suit all the circumstances, leaving local actors the possibility/duty to find autonomously their answer.

This clearly involves accepting the possibility of failure, which would in any case occur in much greater probability with universal recipes, as the case of Tuscany shows. It also involves recognising that competition and cohesion are two different things pulling in opposite directions, and that one cannot “have his cake and eat it”. In other words, if a local development policy can, perhaps, stimulate local capacities and energies, it cannot also act as a substitute for a redistributive policy; that is, it cannot alone re-balance the disequilibria depending on power and resources asymmetries. A redistributive policy remains thus necessary to increase people and locales’ participation capacity in networks through which knowledge, resources and decisions circulate. In this perspective, a redistributive policy will not only consist of economic transfers, but it will also call for a dispersion of nodal powers, will question the accessibility criteria to networks, and it will draw attention on the uneven spatial effects generated by non-territorial policies.

At this point, the very last question becomes why “context-sensitivity” should be preserved in development policy. One tentative answer is: precisely because there does not exist a “one-size-fits-all” solution. If space becomes (socially and economically) significant by reason of its

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<sup>95</sup> Another intriguing facet of this anecdote is the battle that business association representing textile SMEs are fighting at national and European level to make compulsory the traceability of textile and fashion products (in the same way as it already happens for food products). It seems that this fight is primarily opposed (not very publicly actually) by the big *maisons* that today produce abroad great part of the components and then they just assemble in Italy.

heterogeneity and variable accessibility, if, in other words, scale is not imagined as an immutable ordering grid and space as a neutral container, but as the results of multiple (and changing) interrelations, then the co-existence of diverse trajectories has to be recognised as a constitutive element of our very possibility to make sense of space. The alternative is to conceive of spatial heterogeneity as a temporary condition which is expected to vanish, as soon as the unique development process which embraces the whole mankind - nowadays called globalisation - has run its course. Fortunately, this vision is routinely disproved in empirical terms, but its two political corollaries are significant: the first consists in legitimising a tutelage by the forerunners of globalisation over less favoured regions (this appears indeed the spirit of the IA programme, see sec. 2.3.2 and note n. 36); the second leads to the postulation of an historical determinism which leaves little room to political imagination and action (two propositions which may appear in contradiction at a first sight, but which are deeply related in fact)

Moreover, the acknowledgement of the intrinsic heterogeneity of *space* cannot stop in front of an allegedly coherent and authentic *place*. Not only are places made up of relations as much as space is, but their distinctiveness as spatial phenomenon resides precisely in being the spot in which different networks of relations gather and overlap. Therefore, another tentative motivation for keeping context-sensitivity points at the fact that it is particularly on the small "local" that the differentiated spatial effects produced by diverse and dislocated interrelations become more visible, thus calling for the widest and most extended discussion about what matters.

I have begun this work by analysing different spatial conceptualisations concerning the geography of innovation, in order to understand which diverse politics of development they entailed. I have concluded by exploring alternative spatial conceptualisations of the politics of place, to see which diverse development implications they could involve. I hope I have been able to show - at least in part - the thread connecting analytically and pragmatically the two dimensions.

## METHODOLOGICAL APPENDIX

The objective of the case-study which has provided the empirical material for this work was to reconstruct a certain course of policy in a particular region. The research focus was on the rationalities and the constraints/opportunities which underlay the work of the main actors involved in the policy-making and policy-delivery processes. Accordingly, the questions which guided the inquiry tried to touch the crucial passages of these processes: why certain policy directions have been taken, how the policy has been implemented, how it has been assessed by the main actors, which effects it has produced on the regional governance.

I have already explained in the text the theoretical rationales which have determined the choice of the two main information sources (programming documents and evaluation reports on the one hand, and regional policy actors and stakeholders on the other hand) and the research methods to interrogate such sources: contents analysis and direct semi-structured interview. Also, I have delineated the methodological approach through which I have analysed data stemming from my sources (sec. 3.1 and 3.2). In short, by developing a continuous analytical “dialogue” between actors’ accounts and programming documents’ contents with regard to the concept of innovation networks, the purpose was to study to what extent and by which means the EU regional policy has influenced regional policy actors’ frames of reference and field of opportunities. Finally, in the concluding chapter I have mentioned the limitations of the empirical findings in terms of generalisability and exhaustiveness, as well as the related theoretical implications (sec. 4.2).

The present methodological appendix aims then at providing further details about how the field work has been conducted. In particular, I will illustrate the different steps of the field work has been articulated, the access conditions to my sources, and the factors which may have hampered the full realisation of the original research plan (such limitations thus differ from those listed in the final chapter: while in the latter case these are either inherent to the research approach or related to time and financial limits and, consequently, they were somewhat already “weighted up” from the beginning, in the former case shortfalls have been caused by unexpected hurdles). To make the account clearer, I will distinguish hereafter between written sources and interviews.

### **Written sources**

The written sources have constituted the starting point of the empirical inquiry. Information contained in the programming documents and evaluation reports has indeed provided the basis to draw the outline for the successive interview phase.

At the time I defined my research plan, all the main documents were already available, with the exception of the evaluation reports. In this sense, a postponement from February to late April 2009 in the publication of these reports by the Regional Authorities (I was communicated

the original expected issuing date by the programme manager) caused a general delay and a consequent compression of all the field work.

Overall, the written material employed in the case-study is constituted by either legal acts or official documents. In the first case, they are published in the Official Journal of the Tuscan Regional Authorities (references are provided in the bibliography). In the second case, they are directly released by the Regional Authorities and are normally available on internet (references are provided in the bibliography). Only one document - the *VINCI's intermediate evaluation report* - is classified as internal staff working document; following a request of mine, I was allowed by the Regional Authorities to access one copy and to use it (quoting) in my work. On the contrary, it has not been possible to access another internal document: the working paper drafted by a group of academics of the universities of Pisa and Florence, which served as a basis for the Regional Authorities' officials to draw the regional innovation strategy (sec. 3.6.1). Confronting this document with the official programming documents would have important to measure to what extent regional policy-makers have followed or deviated from the academics' indications.

### **Interviews**

Eight direct interviews were conducted during the months of May and June 2009.

All the interviews took place in the interviewee's workplace during working time. All the interviewees were informed in advance by email about the content and the finalities of my research, and the kind of information I was looking for. Before starting the interview, each interviewee was clearly informed about the modalities through which the interview would take place (open questions), the devices employed (written notes and digital recorder), the nature of personal information that would be reported in the present work (name, professional qualification and her/his in relation to the programme object of the empirical inquiry), how I would potentially elaborate and make use of the content of the interview (quotations, summaries, etc.), and the terms of accessibility and publicity of my work under university regulations. In this sense, each interviewee was expressly asked whether:

- she/he agreed that her/his name would be published, as well as her/his professional qualification;
- she/he agreed to be recorded.

All the interviewees gave their consent to the first question. Only one interviewee - prof. Luciana Lazzeretti - did not agree to be recorded.

All the interviewees were also clearly informed about the possibility not to answer certain questions or to leave certain answers "off the record".

I made clear to the interviewees my responsibilities as regards the protection and conservation of other potentially sensible data and of the transcripts of interviews.

As mentioned above, the interviews phase was preceded by and built upon an in-depth analysis of the most significant documentation concerning the programme and the policy under scrutiny. In addition to this, before conducting the interviews, I also had a series of informal talks with other actors who were somehow related to the programme/policy. In particular, I had a long meeting with one senior researcher working for *IRPET (Istituto Regionale per la Programmazione Economica)*, the Tuscany's Institute for economic planning. IRPET is an independent public institution, although it is financially dependent on the Regional Authorities, which are also the IRPET's founders. IRPET's mission is to assist regional policy makers in the formulation of regional policies, by providing technical and scientific advice in a number of matters ranging from demography to environmental issues. Its role in the VINCI programme has been rather significant, since it was commissioned the task of drafting the guidelines for the experimentation phase, even though IRPET has subsequently sub-contracted this work to a group of external experts. In general, the importance of IRPET for the system of relations which preside over the definition of regional policies has to be underlined, as it represents a sort of *trait d'union* between the regional government and the regional academics involved in policy-making (I will get back to this issue in a moment).

Besides this meeting, I had informal conversations also with some managers of the projects funded under VINCI and with a couple of regional government's officials who were not directly involved in VINCI; finally, I had a long chat with one of the academics who were subsequently formally interviewed: prof. Marco Bellandi. All these encounters have represented for me an important introductory step to develop and refine the research design; however, except for the case of Bellandi, I decided not to ask for successive direct interviews with these individuals in order to keep the object of the inquiry well framed.

Conversely, there have been two people that I repeatedly and unsuccessfully contacted for an interview: one is, as already mentioned, the regional Councillor Ambrogio Brenna, the other is the head of the economic research unit of IRPET, dr. Stefano Casini, who was the person in charge with the "VINCI dossier" for IRPET. As for the first case, the impossibility of obtaining a direct account by the political responsible for the innovation and industrial policies in Tuscany has certainly represented an important research gap. This has been in part filled in with the speech that Brenna held on the occasion of the official presentation of the VINCI's results, and which appeared particularly revealing of the Councillor's political vision (sec. 3.6.1 and 3.6.2); however, many important issues have remained uncovered. Among these, the most significant is probably constituted by negotiation process between Regional Authorities and the Commission about priorities and resources allocation of the regional development policy; Brenna was indeed the head of the regional delegation. With regard to the IRPET, an interview with Casini would have shed light on the relationship between academic world and policy-makers and, in particular, on the nature of the information that regional policy-makers ask and rely on to build their decisions.



### **Concluding remarks**

Dealing with problems related to the accessibility of sources is a particularly thorny issue. In fact, not only do such problems impoverish the quality and exhaustiveness of the empirical data but, given the object of the work, they become also a substantive part of the very research outcomes. Indeed, as I have tried to show (sec. 3.6.2 and 4.3), the opacity of the decision process is one of the most important finding, since it is revealing of some highly problematic aspects characterising the politics of local development in Tuscany and the political approach fostered by the European Commission. Therefore, because of these “meta-implications”, accessibility issues involve also theoretical considerations, in addition to mere practical ones.

Exploring thoroughly this matter would go beyond the scope of this appendix, but it is interesting to observe the correspondence between the difficulties faced by a research approach methodology aiming at reconstructing the content of the policy-making, and the power asymmetries and the democratic issues stemming from restrictions to participation and control of the decision process. In other words, this correspondence points at the tight link between the quality of the democratic game and the possibility of knowing.

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