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**INTEGRATING ESF INTERVENTIONS IN THE STRUCTURAL FUNDS'
LOCAL DEVELOPMENT PROGRAMMES**

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Abstract

In the 2000-2006 Structural Funds programme, the challenge of integrating interventions has been formulated more strongly than in the past. In this period, territorial integrated projects (PIT) and local development projects have been aimed at guaranteeing coherence between actions financed by different financial instruments. The evaluation has tackled these new forms of local development programmes by defining methodologies and tools for the ex-ante, in itinere and ex-post evaluations.

This paper illustrates the experience of evaluating integration within ESF programming, that is the evaluation of human resources development projects in the context of local economies. The National ESF Evaluation Unit carried out this work within the framework of the 2000-2006 ESF mid-term evaluation updating in the Italian centre-north Regions.

Since the topic of integration had not been fully operationalised in the 2000-2006 ESF and ERDF programming, the first task of the evaluation was to map the most relevant experiences in regional programmes and then to rank them according to their different degrees of integration. These different levels are linked to potential synergy effects among projects, necessitating effective coordination.

The 2007-2013 programming stresses the integration principle as a way of implementing structural interventions. However mono-fund programme structures make it more difficult to integrate projects financed by different funds, hence the need for more coordination. The main findings of the evaluation can help to identify ways of achieving this integration.

Our discussion will focus on the challenge of evaluating integration, and in particular the added value of this new principle, considered by some policymakers difficult and expensive to implement. A relevant and sustainable partnership, which is a building block for creating social capital at the local level, is one of the components of this added value. The discussion is open to other elements for the evaluation of integration.

1. Introduction

Human resources, together with material and immaterial infrastructures and social capital, are elements which enable local

systems to map out their development prospects. The role attributed to training in local development processes, understood here in the broader sense of improvement and increase of skills and as a factor that can affect the quality of human resources, is very complex.

Within the paradigm of the knowledge economy, for example, this role is conceived in a broad and strategic sense for launching and consolidating local development processes, since it has to take advantage of the local system of responsibilities, that is the “set of factual knowledge available locally to society, through which it manages the value production processes on which its economy is based”¹. The programming of training takes the local area as a benchmark instead of the individual vocational figures, less specific and more decontextualised. Above all, it goes beyond the simplistic connection in which training only has the task of meeting the demand for labour to give it a more systemic role in supporting local development and promoting the transformation of human capital. This passage has been defined as going beyond “vocational training” towards “training and development”².

In general, training and development implies planning training actions aimed both at *reproducing existing skills*, that is maintaining the local value production system, and at *innovating skills*, that is introducing new knowledge elements which either reinforce the distinctiveness of the local system (innovation) or bring about a structural change in the local economy (new development trajectory). In the second case it is not limited to meeting the demand for labour.

The role of training in local development processes thus appears important for both reproducing and innovating skills: it is inconceivable to have development policies which do not contain human resources development policies and these latter, in turn, cannot be conceived without development policies. The link between the two policies opens up the issue of integration, during both the programming and implementation of interventions.

It also seems evident that, if development policies are not integrated or coordinated with those for human resources, the success of local development initiatives is greatly limited. In recent years, the lack of

¹ Ruffino M., Bonci M., Costa L., *Indagine sull'applicabilità dell'approccio per competenze e crediti formativi alle azioni formative nell'ambito di interventi di sviluppo locale*, Rome, ISFOL, 1999

² Fadda S., *Sviluppo locale, occupazione e implicazioni formative: una guida*, Milan, F. Angeli, 2000.

coordination of these two aspects and the need to create positive synergies has become a subject for study and research³.

2. Synergy and integration

In economic terms, the synergy between projects can be seen as external economies (that is economies benefiting an actor or actors other than those making the investment), whose creation and utilization are linked not so much to the presence of a menu of different interventions with the same objective⁴, but rather to the effective coordination of these interventions. It has already been noted elsewhere that external economies are the result of coordination based on potential complementarities as well as those revealed when implementing the interventions; they are thus only visible in an ex-post perspective⁵.

If we see integration as a factor for creating synergies, then integrated planning becomes “the art of identifying and implementing complementarity”. An art that is not only the result of good planning, but also of an appropriate control and readjustment of processes to grasp further emerging complementarities on the basis of differences between what has been forecast and what is being implemented.

In area development programmes⁶, for example, obviously following the integration guideline does not signify only identifying all the necessary and possible actions (for example infrastructures, services, incentives for firms, development of human resources, protection of the environment, etc.) for achieving this goal, but also means constructing mechanisms which not only enable synergies to be created but also prevent crowding-out effects⁷.

³ The LEED PROGRAMME is promoted by the OECD to support and strengthen local economies, industrial districts and territorial alliances. It identifies, analyses and disseminates innovative ideas for local development, governance and the social economy. In 2005 it started studying how to coordinate labour market policies and economic development strategies at a local and regional level. Cf. *Integrating employment, skills and economic development, Conceptual framework*, June 2005.

⁴ See DG Regional Policy, *Evaluation of Socio-Economic Development, The Guide*, December 2003, www.evaled.info

⁵ See Bruno S., De Lellis A. (2004), The economics of ex-ante coordination, (www.economicwebinstitute.org) for the analysis of the ex ante and ex post perspective in dynamic processes (of innovation and development).

⁶ The case of area development is that of greater visibility of a “pluri-intervention” strategy, but it is not the only one. Just think for example of environmental protection, where the need for an integrated action strategy, through which projects can be coordinated in different environments and with different institutional responsibilities, is often claimed.

⁷ For example, the possibility that a series of interventions produces effects on a certain territory at the expense of another territory potentially involved in the same mix of actions.

The contribution of policies addressed to human resources inside development policies can consist of:

- policies for the creation and/or reproduction of skills;
- policies for the enhancement/innovation of skills.

The first category includes all those policies aiming at providing individuals with the knowledge necessary for holding down a job⁸: they mainly involve education and training targeted at acquiring and maintaining skills to use in working contexts (firms and organisations) in the various forms in which interventions for learning can be structured. These are interventions which are usually attributed to “server” functions in line with the “trajectory” drawn by the area development programme: these kind of interventions must provide the skills to use in the reference local context, that is act to fill the gap between present and required skills.

Here, the complementarity of interventions can be linked to the functionality of skills for local economic activities. The achievement of this complementarity thus entails an in-depth knowledge of the skills which will be required and a suitable formulation of their supply. Skill-forecast mechanisms must therefore incorporate the expectations of all the local actors. Territory-wide program knowledge and participation constitute the elements for formulating “converging” expectations on development.

In the second category of policies, that is the upgrading/innovation of existing skills, the “server” aspect of the interventions is reversed: training is required not only to meet the demand for labour but also to support local development and promote human capital transformation. For example, if we exclude employment services, whose complementarity with other local interventions is evident as they also remove constraints, it is interesting to consider business creation initiatives, which make the most of already-existing skills.

When innovative processes imply a radical change in the local development trajectory, then the training could also act on territorial social relations and support a change in mentality.

Finally, there is a further category, cutting across the board, concerning the role of training to support concerted practices in local development processes. This implies strengthening technical abilities

⁸ Given the ESF concentration on the use of knowledge for labour market integration, this paper does not consider interventions for enriching individual skills for participating in civil society.

for programming, negotiating, managing projects, etc., on both institutional and partnership levels.

3. The integration paths in the Structural Funds

The European Funds have often constituted a testing ground for integrating projects with innovative repercussions on development policy programming and implementation processes.

The European Commission has been promoting integration since the end of the Eighties with the Mediterranean Integrated Programmes (henceforth: “MIP”)⁹, later introduced in the Structural Fund programming with the 1988 Regulations. In these regulations, the emphasis is placed on the need to achieve the greatest effectiveness by implementing integrated programmes; the aim is to obtain a synergy among the different measures and to guarantee convergence between the partners with their different projects and responsibilities.

The underlying idea is that integrated interventions produce an overall effect that is greater than the sum of the effects produced by the individual interventions. Within the framework of the Means programme¹⁰, the effect of this synergy “can be explained with the critical mass concept”. Other effects also exist:

- effects of scale: reduced costs because of the presence of different projects in the same location;
- demonstration effect: reproducing the action through example;
- adjustment effect: better coordination among public actions;
- liberation effect: the implementation of a project removes a constraint from the implementation of another project;
- run-on effect: the implementation of a project stimulates that of another project.

The experience of structural programmes, especially the multifund kind, suggests that the “simple presence” of different kinds of intervention (measures, actions or projects) is not enough to ensure the “right combination” for creating synergies. In the 2000-2006 programming, forms of integrated local planning have been launched in both Objectives 1 and 2, with the main feature of producing a package of projects (no longer only measures) for the socio-economic development of an area.

⁹ The EC approved the MIPs with decision of 8 December 1987, C(87) 2525.

¹⁰ MEANS Collection, *Evaluating socio-economic programmes: Evaluation design and management*, Volume 1, European Commission, Office for the Official Publications of the European Commission, Luxemburg 1999.

In the past, local development plans in Italy focused on projects involving infrastructures and services and/or investment incentives for firms. The integration of human resource development projects (Ministry of Labour's programme supporting territorial alliances) failed because of bad timing. For example, training courses took place long before industrial investments.

In both the Mezzogiorno and in the centre-north regions, the European Social Fund (ESF) was able to contribute to these integrated projects through the range of actions offered by the programming.

4. Integration between the ESF and ERDF in the centre-north regions: the reference framework

The topic of integration of human resource and local development policies has been surveyed within the framework of the 2000-2006 Structural Funds programme, starting with the analysis of the intervention strategies of the two Community tools affecting the same territories or portions of territory. That is, ESF Objective 3, involving the qualification and strengthening of human capital through training; and ERDF Objective 2, concerned with structures and infrastructures of areas whose development is classified as "lagging behind".

The intervention logic in the Objective 2 areas seems closely linked with the reference territory: it meets local development needs, pinpointing specific actions targeted at the growth or support of certain sectors of the economy (industry and services) or of circumscribed zones (urban or rural area). Objective 2 thus has a strong local connotation.

In Objective 3, the investment in human capital represents the strategic goal pursued through the ESF, that is increasing the employment content of economic growth by supporting labour and training policies.

The two programmes potentially have strong complementary elements, since they deal with specific local environments. One aims to qualify human resources by developing the training of the labour force and the other to support economic growth in sectors in difficulty, such as industry and fishing, or in less-favoured rural or urban areas. However, Objective 2 is more specifically a regional policy tool and Objective 3 tends to cut across the territory, often meaning that specific local needs are not targeted.

With respect to the simple logic of complementarity, it seems that there is a stronger convergence here between the two financial instruments in the direction of integration. It means to us that the integration logic means seeing the role of human capital as a development factor for a territory and recognizing that the investment in human resources should advance at the same pace as that of material and immaterial capital.

In this reference scenario it was seen if and how the integration logic has been formulated and implemented on a local level, in both the policy programming stage and during implementation, by analysing the ESF and ERDF programme documents (ROP, SPD and Programme Complements, annual reports on programme state of progress) and some case studies.

4.1. Integration in programming¹¹

In all the Objective 3 programme documents, relations between the ERDF and ESF are governed through the definition of a financial reserve for areas classified as “lagging behind in development”. In particular, it is specified that Objective 2 areas receive at least 5% more per capita than “non-territorialized” areas. To ensure a suitable flow of information on the implementation of the two programmes, representatives of the services financed by the two funds participate in the Monitoring Committees.

Besides these two aspects common to all the programmes, the in-depth analysis of the programme documents has shown that the integration between funds is spelt out on three levels:

- interaction of strategy between the two funds;
- interinstitutional cooperation either set up during the programming and/or management stage between the two fund administrations;
- effective interaction in the management of measures and actions, spelt out in different ways, ranging from the presence of shared management modules to the presence of winning selection criteria.

The **first level** refers to integration procedures in terms of potential synergies between the two programmes. Integration implies, in this case, sharing the design of development policies which, albeit financed with different resources, are complementary and can maximize the impact of initiatives on the territory.

¹¹ Andrea Bagnulo has analysed Objective 2 programme documents within a working group set up in ISFOL’s Human Resources Policy Evaluation Unit.

The **second level** involves setting up working groups for coordinating and sharing interventions and adopting interrelated or shared management procedures for the two programmes. Within this framework, integration is mainly achieved in terms of decision-making processes and administrative tools. This integration logic also takes into account the link between local development and the role of local actors where the partnership component and the “bottom-up” approach are fundamental.

The **third level** consists of the presence of expressly integrated measures, or those implemented with ad hoc integrated procedures. In this case, favoured areas of development are specified in which integration between funds is easier to achieve (e.g. R&D and innovation, business creation, development of SMEs, environment, tourism).

Although little used, one way to foster integration between funds is to define criteria for selecting projects to attribute to interventions in which links with the aims of the other programme can be seen. Another way is to direct the two funds towards complementary actions, such as ESF-supported business creation or ERDF aid for investments (financial engineering instruments).

The integration between projects also occurs outside the Objective 2 and Objective 3 programming and makes use of other forms of intervention on a local level.

4.2 Integration in implementation: case studies

Case studies were carried out to see if and what type of relationship has been achieved between the two financial instruments. The aim was to find out how integration is accomplished between human capital and local development investments using endogenous resources. In other words, through case studies answers were sought to our hypothesis about the role of human resources policies in local development and the relationship between a specific territory and its human capital.

The case studies carried out in four regions (Liguria, Abruzzo, Emilia Romagna, Autonomous Province of Bolzano) helped to find a reply to the above questions. The contexts analysed, albeit very different, have a series of common elements:

1. The presence, as said before, of varying financial instruments, in this specific case both ESF and ERDF, but also other local or national instruments.

2. A plurality of sectors and/or departments affected by the policies and investments.
3. The presence of different institutional and administrative levels involved in the development of the territory, since each are required to implement interventions regarding their specific responsibilities.

The results of the analyses conducted on a regional level have pinpointed four main procedures for integrating the two types of investment, ranging from a scenario of little or no integration to that of full integration.

Figure 1 - Levels of integration between human resource development policies and local development policies

-/+	+ /+
CONSISTENCY	SYNERGY/ CONCENTRATION
NO OVERLAPPING OR COMPETITION	COMPLEMENTARITY
-/-	+/-

1. *“No overlapping or competition between investments”*: in this case the presence of different financing sources in the same territory with similar development targets means an intervention in which the main idea is to avoid duplications or overlaps. For example, some types of action, such as those aimed at creating businesses can be financed either by the ESF or the ERDF, as well as by regional laws.

2. *Basic integration - “consistency”*: in this case the relationship between the investment in human capital and in local development basically aims at better matching workforce and human resource skills to needs of firms and the existing industrial fabric. It involves a server logic, in which training policies serve the demand for skills and are aimed at “adjusting” the training supply so that it better meets the demand for local labour. This has been implemented both with a top-down programming logic and by surveying local needs from the bottom-

up, resulting in interventions on human resources and in particular training.

These integration experiences can be read as the ESF's territorialization effort. Although the regional management of vocational training aims to create skills linked to local needs, its ability to match the training supply to the demand has evidently gradually weakened over time.

3. *Middle integration - "complementarity"*: here training policies play a stronger role in supporting local development policies since they have to offer the necessary human resources to developing sectors and compartments, or those in which investments are being made; this is done either through qualifying the new human capital or by adapting the labour force. The training programme is thus complementary to local development strategic planning, often defining the key economic and social development topics or of a sector/compartment to target.

4. *Advanced integration - synergy, concentration*: this fourth level involves the formulation of joint programmes/projects for local development and human capital development. The starting point is often the identification of a strategy for development of the territory followed by operational planning of actions of an intersectoral nature. The aim is to concentrate initiatives, thereby achieving a synergy which will trigger local development processes. The role of human capital investment for local development interventions is seen here not only as a policy for creating skills targeted at a development strategy, but also as a strategy for enhancing existing skills.

In these cases the presence of several funds and initiatives in the same territory has been used to create an integration for optimising and rationalizing the resources available, also using non-structural fund interventions (e.g. Leader+ programme) or regional/local programmes (e.g. Regional Development Plans).

The experiences analysed hitherto have highlighted very different integration procedures corresponding to the above categorization.

A first procedure involves the creation of bodies/centres for operating more directly on the territory. These bodies are required to identify training needs to match specific local vocations (poles), or to offer integrated services to people and firms for local development (service centres).

It is evident that there is a close connection between local development for enhancing the specific skills of a determinate local system or local labour market, the vocational training needs expressed by the territory,

and the creation of know how and knowledge as expressed by the relevant bodies. Not every type of training suits every territory, and it has to be adjusted to fit the local population and area.

A second type of intervention involves local development programming actors joining forces to define priorities, using negotiated programming tools such as “piani speciali di area” (special local programmes), local development plans and territorial pacts. Preferential thematic areas closely linked to the territory are pinpointed, such as the environment, tourism and local industry, in which the “immobile” endowments are more important.

Finally, a third intervention concerns integrated projects, that is a set of interconnected interventions aimed at a certain development target, capable of creating synergic effects which can potentially add up to more than the simple sum of those produced by the individual initiatives.

Consultations and partnerships are indispensable for a proper integration and the negotiated programming experiences already achieved in local areas in the past should be considered as such.

First of all, these experiences highlight the need to achieve cooperation between the different institutions and administrative levels required to implement the programmes.

Moreover, to create a virtuous circle between the territory and human resources, local actors representing the industrial world and public administration, social partners and education and training agents have to take action.

There seem to be important local partnership experiences in the case studies analysed, sometimes specially created and supported, sometimes already rooted in the territory. What appears from the studies is that the creation or revitalization of former partnerships involves more investment in time and resources than making use of existing partnerships for integrated interventions on human resources.

The topic of local partnerships is also closely linked to that of social capital. The network of relations present on a territory represents the social capital that contributes to local development. Hence social capital is often seen as an important local asset, capable of establishing the structure of local governance. Social capital can be seen as the tool with which the territory can construct a prospect of real development precisely because based on the trust on which relationships among the different actors is based.

5. Implications for the evaluation

The interpretative key adopted in our analysis considers integration as a process constructing synergies among projects (in our case belonging to two different structural funds) and the analysis has attempted to demonstrate the different ways in which this process has been implemented.

As a process for creating synergies, integration implies the prior construction of a development pathway (territorial or supply chain, the methodology is the same) and the implementation of projects capable of mutual support. This support, understood as creating synergies so that the overall value of projects is more than the sum of the individual projects, is also achieved through ensuring that projects are consistent in the *ex ante* phase and maintaining this consistency in *itinere*. But not only. In a more complex and dynamic manner, the implementation of some projects can be considered as the mean for informing the entire process both about the updating of the initial plans and about the opportunity of creating “bunches of projects” to further develop what has been already carried out or is underway (Bruno, De Lellis 2000).

Within this framework social capital, to which local development experts devote so much attention, can be considered as the structure which guarantees the coordination feasibility of projects implementation process. In other words the social capital can enhance the *ex ante* and in *itinere* identification of synergies.

Following this approach, it seems important to make a distinction in integration-linked evaluations, since one risks not seeing the wood for the trees in a terrain thick with concepts.

The distinction is between an evaluation of integration and an integrated evaluation. We think that the former gives a measurement of the added value of integration and supports the integration of policies/programmes/projects with the aim of creating synergies, without neglecting the evaluation of the effects produced by this process, of course. Instead, the integrated evaluation seems to us to be an evaluation of the effects produced on the territory by all the policies/programmes/projects even when there has been no effort to coordinate their integration. Only when integration is specifically pursued and the evaluation is focused on the effects produced do the evaluation subjects coincide.

The integrated evaluation of the effects of all the policies/programmes underway on the territory assesses effects which need time to be produced. It is not necessarily capable of providing the information needed to manage the integration process. The cognitive needs for integration process

management are very different from the integrated evaluation results because the synergies among projects can take place ex post (Bruno, De Lellis, 2004). This management requires knowledge gained from experiences in progress useful for implementing the process, that is for defining of complementary projects. To this end, the most significant evaluation seems to be the in itinere one which reveals hitherto unobserved open (or closed) options by the projects concluded or underway.

A recent analysis of the link between social capital and human capital states that the former “facilitates the development of tacit knowledge as a competitive resource because it fosters the circulation of information and trust between people inside companies and between different companies. In other words, social capital enables tacit knowledge and human capital to be exploited as a competitive advantage linked to industrial specialisation”¹². This implies that the evaluation takes into account the overall knowledge production.

Within this framework the evaluation has to address the creation and consolidation of social capital as an important factor for the feasibility of a coordination process, and more in general for the possibility of growth of knowledge within the territory.

Empirical research is lagging quite far behind, despite some recent attempts to define indicators useful for appreciating the social capital of territories, and the evaluation challenge could be precisely that of helping to construct a suitable analytical instrument.

The survey of case studies provided by Objective 3 administrations enables us to highlight evaluation elements which could be useful in terms of the sustainability of an integrated intervention strategy. The first element seems to be inter-institutional coordination, which has to be operational and not only formal. The effectiveness of inter-managerial technical meetings has a positive effect on implementation choices for integration; sharing interventions and making them coherent helps the passage from the definition of a local strategy to a coordinated implementation.

The second element to be evaluated is the support to local partnerships, in particular the opportunity to revitalise or to consolidate existing networks. In this second case, obviously, the success (effectiveness) of previous partnerships is an important factor. The evaluation must enhance the effects of cooperation for supporting partnerships to avoid a weakened perception of its effectiveness due to long term programme impacts.

¹² C. Trigilia (2001), “Capitale sociale e sviluppo locale”, in A. Bagnasco et alii, *Il capitale sociale. Istruzioni per l'uso*, Il Mulino.

The partnership can also become a rich source of local information and, as such, necessary for diagnosing and defining the development strategy¹³.

Finally, with specific reference to the development of knowledge and skills of human resources involved in local development processes, the integration reverses the traditionally understood relationship between development of skills and local development, according to which the skills to develop are those requested by existing productive activities. It could also be that the human resources development interventions in a territory can promote material investment projects, on the basis of acquired territorial knowledge .

¹³ On this point more study is necessary when territories are considered in which the networks would have a negative worth.