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S.C.E. Batterbury. 1994. An evaluation of EC Structural Fund policies in Sardinia: the promotion of small and medium sized enterprises.

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**Abstract:** This paper offers a preliminary evaluation of the European Community's recent forays into small and medium sized enterprise (SME) promotion, as part of its Structural Fund package for 'Objective One' regions. These packages are designed to stimulate local economic development in economically marginal regions of Europe. Based on the initial findings from recent fieldwork in Sardinia, the paper argues that the European Community's SME policy is unnecessarily complex, both at the European and at the regional level. The effectiveness of the various programmes is moreover compromised by bureaucratic delays in Sardinia, associated with the EC's requirement for national or local co-financing of its programmes. The paper concludes that no matter how promising these new measures may seem for stimulating 'bottom-up' development in peripheral European regions such as Sardinia, they are often still-born as the result of the overcomplicated administrative systems, and lengthy bureaucratic delays.

**An evaluation of EC Structural Fund policies in Sardinia:  
the promotion of small and medium sized enterprises**

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The European Community<sup>1</sup> (EC) has recently begun to introduce measures to its Structural Fund programme which are designed to encourage growth and development of the local small firm base for the Objective One regions (i.e., regions with less than or equal to an average GDP/capita of 75% of the European Community average). In Sardinia, an Objective One region which is the focus of this paper, the various schemes supported by the EC have been slow to become operational, largely as the result of bureaucratic delays and complications at both the European and regional level.

The European Commission's Structural Fund policies aimed at the promotion of small and medium sized enterprises (SMEs) reflect ideas from the recent industrial district and endogenous development literature (e.g. Becattini, 1979; Brusco, 1986; Pyke *et al*, 1990; Garofoli, 1992) which have begun to influence regional planning at this level. Notwithstanding the dawning recognition of the value of small and medium-sized firms within regional and peripheral economies, policies aimed at stimulating these firms have been merely 'tacked on' to existing Structural Fund provisions. Blacksell and Williams (1994, p97) refer disparagingly to "...the Community's belated creation of a 'small firms policy'". The Commission itself does not appear to

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place great weight on SME promotion, writing that "...action for the benefit of SMEs is not a specific priority in the CSFs (Community Support Frameworks<sup>2</sup>) although they do include a variety of measures to assist these firms" (EC Commission, 1992, p34). The CSF (in the form of a development plan) is the mechanism by which over 90% of Structural Funding is allocated to eligible regions. The bulk of its Structural Fund input is still oriented towards infrastructural programmes; some 55% of CSF funding being currently allocated to infrastructural projects compared with 40% directed towards "...investment in industry and services, improving the business environment, and developing human resources" (Hall & Van Der Wee, 1992, p400). As is discussed below, despite the fact that the period of the first CSF was completed in 1993, several programmes are still not fully operational.

In addition to these provisions for assisting SMEs embedded in the general CSF funding structure, the European Commission has recently (16/02/94) decided to introduce a further so-called 'Community initiative' which will be directed more specifically at SME development through the Structural Funds. This special programme, which lies outside the CSF, is designed to address specific SME development aims and will provide an additional one billion ECU (at 1994 prices) to be divided between qualifying regions, with the greatest proportion being allocated to Objective One regions and in particular regions in the Cohesion 4 group (which comprises Spain, Greece, Portugal and Ireland). As Italy is outside this group, only a relatively small proportion of this money will be allocated to Italy and to Sardinia.

The promotion of 'endogenous' development (Garfoli, 1992) by the Commission is therefore limited in scope, but its mere existence marks a seachange in the Commission's attitude towards development planning. What is particularly interesting about this policy is that it represents a curious mix of a 'bottom-up' form of development being promoted by an external and therefore 'top-down' system of government. The likely success of such a policy remains questionable. Its success would require the Commission to confront a number of profound difficulties faced at different levels of government, and at different scales. This paper concentrates on the nature of the problems for successful EC policy encountered in Sardinia itself. Here, structural inequalities, bureaucratic and political delays and general inefficiency, have often compounded the region's inherent physical and locational disadvantages.

Any evaluation of the EC's SME policy is hampered by the lack of precedents of a supra-national institution promoting endogenous development. It is therefore hard to find a benchmark against which to measure the experience. SME promotion has the task of promoting a policy across a Europe characterised by profound regional disparities, a Europe which is moreover diverse in many spheres; political, social, economic and so on. This essential diversity has led Blacksell and Williams (1994,

p90) to describe Europe as having a "mosaic of regional problems". It is a paradox that the EC Commission, driven by ideas of harmonisation, should seek to promote a form of development which is inherently flexible in nature and which recognises the value of diversity. Promoting a form of economic development which is seemingly so well adapted to the exigencies of both European regional development planning, and to the needs and characteristics of the regions involved presents great difficulties, examples of which begin to emerge from the Sardinian case study presented here.

There is moreover, a body of literature which has recently begun to challenge the notion of this 'ideal-type' endogenous development. For example, Dunford *et al.* (1993, p134) have observed that for many firms in Vigevano, Italy "small is not beautiful, small is tragic". Amin and Robins (1990, p7) have also questioned the viability of the industrial district paradigm (related to the endogenous development idea) as being "a matter of conceptual elisions, jumps and slippages". While these are important debates, this paper moves away from addressing these theoretical arguments to present empirical data on the actual state of EC economic development policy for Sardinian SMEs. It should be stressed that while the European Community is belatedly incorporating ideas of 'local-centred development' into its overall strategy for the marginal areas of Europe (such as Sardinia), an 'endogenous development' approach should not be seen as the ideal or only model for development in these regions (Batterbury, 1994). The need to effectively utilise local resource endowments needs to be understood in conjunction with a recognition of the value of 'exogenous' type development strategies. In highlighting some of the problems involved in attempting to transfer local-centred development to Sardinia, I focus specifically on the EC's existing attempts to foster SME growth on the island. I argue the seeming failures of many of the schemes to get off the ground reflect an endemic malaise in southern Italy which in part is founded on the failures of the political and administrative system. In more general terms, the particular local characteristics of any region eligible for EC assistance constitute a fundamental part of the problem it faces in its attempts to redress European regional inequality. These seem set to worsen as the single market increasingly becomes a reality (see, for example, Camagni, 1992)

#### The case study: Sardinia

Sardinia is a region of Italy whose economic development has been considerably hampered by its island status, history of continued social and economic marginalisation, and neglect by the state. The unemployment rate in Sardinia has increased over the period of the last EC CSF from 19.2% in 1988 to 21.2% in 1993. In 1988 the region's GDP per capita was only 71% of the EC average, rendering it eligible for Objective One status. The island's natural disadvantages are compounded by poor

internal infrastructure. The general level of road and rail networks is below that of the Mezzogiorno as a whole, and there are also severe problems in providing adequate levels of water and energy on the island (Del Freato, 1994). The relatively small and dispersed population also limits local demand for goods and services, thereby restricting economic opportunity. The EC Commission observes that

"...the domestic market (1.6 million people) is insufficient to support the island's development. Furthermore, the problem is made more acute by the fact that the population is dispersed throughout the island and the internal transport infrastructures are inadequate" (EC Commission, 1989, p 49).

The Sardinian population traditionally consisted of pastoralists and rural peasants, and the changes wrought by early industrialisation in the 1970s created social problems. The region has also been characterised by high out-migration, although this has now slowed considerably. Attempts by the *Cassa per il Mezzogiorno*<sup>3</sup> to introduce large petrochemical plants on the island in the 1970s, reinforced the island's dependency on foreign capital, and were spatially concentrated; thereby failing to address some of the more serious social inequalities across the island (King, 1977; 1985). Dependency and spatial inequality has persisted. Clark observed that

"...after almost half a century of autonomous institutions, Sardinia remains very dependent economically, and more than ever dependent culturally and politically" (Clark 1992, p36).

A high proportion of the large firms operating on the island are still publicly owned (see Table 1), with the highest percentage (41.9%) being owned by the Sardinian regional government. Less than 40% of plants are privately owned, half by local entrepreneurs.

Table 1: Sardinian manufacturing industry: proportion of employees and proportion of plants by sector and location of owner, 1991

Sector	Ownership	% employees	% plants
Public	State government	27.7	0.1
	Regional government	9.9	41.9
	Other public	2.0	3.6
Cooperative	Cooperatives	4.5	17.2
Private	Local owner	39.2	19.4
	Southern Italy owner	4.5	5.9
	Centre/North Italy owner	13.3	7.9
	Foreign owner	1.9	4.1

Source: *Osservatorio Industriale* 1993, p210, table 10.10

This data excludes both the artisan sector and firms with fewer than nine workers.

The majority of SMEs in Sardinia are related to traditional activities such as cheese production, craft-based industries and agriculture (Paci, 1993). The Commission wrote of Sardinian SMEs thus

"...the local small and medium-sized firms are marked by a low level of specialisation and innovation and by undercapitalization; the lack of advanced production services is impeding the opportunities for development and modernization." (EC Commission, 1989, p 49)

There are, moreover, some extreme difficulties associated with commercialising some of Sardinia's traditional sector products. The artisan textile sector is a good example of this. Most of Sardinia's rich and beautiful textiles are worked at home by women working alone, who combine traditional handicrafts production with domestic work. Freeing these women from the home, in order to begin to use some form of mechanisation as a first step to commercialisation, is highly problematic. Many of these artisan women cannot be liberated from domestic chores, in particular the care of children and the elderly, as there is no one else willing to provide these unpaid services.

The picture in Sardinia is bleak. Seemingly any development project, regardless of its inventiveness and originality, is destined to failure. During the period of Sardinia's first CSF (1989-93), many of the SME programmes did not become fully operational (as outlined below), and are still not working, even now that the second round of the CSF has begun. A partial explanation for this failure may be found in the numerous bureaucratic and administrative delays which characterise decision-making in Sardinian government and development agencies. The requirement for local 'co-financing' and for 'additionality'<sup>4</sup> has proved a stumbling block in Sardinia. The complexity of the administrative apparatus for the administration of SME funds has impeded effective participation in many of the schemes, and moreover can prove confusing to those who are involved in administering sections of the various policies. Complete understanding of the options available to entrepreneurs, and of where to turn for advice, is not evident among many administrators. Consequently, business-people have a much harder task in applying for the grants and loans to which they are entitled. Among the administrators, voices of dissent criticising the bureaucratic and political elite in Sardinia are mixed in with those who seek to claim either that all delays are not really delays at all, or that they are justifiable in some way.

#### Financing the promotion of small and medium sized enterprises

The various EC measures intended to assist in the promotion of some form of 'endogenous' development in Sardinia are outlined below. The bulk of provisions are concentrated in forms of financial assistance and cheap credit to the SME entrepreneurs. First however it is useful to examine the quantity of finance which is

available for promoting SMEs in Sardinia. As mentioned above, the financing of SME promotion is rather obscurely embedded in the broader funding categories of the CSF. It should be noted that as a general rule the CSF accounts for over 90% of allocated Structural Funds, while the Community initiatives contribute only 9% (EC Commission, 1994a). The CSF money is divided between the so-called 'multi-regional sections', aimed at redressing problems in the *Mezzogiorno* as a whole, and a section devoted to regional development measures. The CSF foresaw expenditure at the level of 3,303 million ECU over the period 1989-93, with 36.74% of this money being reserved for the promotion of the non-agricultural productive sector (EC Commission, 1989). This percentage, which applies to the *Mezzogiorno* as a whole, is roughly equal to that which is reserved for this sector in Sardinia alone under the regional development portfolio. Unfortunately it is not possible to establish the proportion of money reserved for the direct promotion of SMEs within the multi-regional section of the CSF.

Table 2 shows those elements of the regional development indicative financing plan for Sardinia designed to stimulate non-agricultural productive activity, which total 37.4% of all EC grants in the CSF. Funds for the specific promotion of SMEs are included principally in the first category, 'support for industry, crafts and services'. The measures for infrastructural and agricultural projects (not listed in Table 2) account for the remaining 62.6% of EC CSF spending in Sardinia. There is clearly a heavier weighting given to infrastructural and agricultural programmes. The position of SME promotion is worsened by the fact that financial allocations for this are subsumed within the broader measures shown in Table 2, rather than being a specific priority of the CSF itself. Thus the proportion of finance directed at SME promotion is relatively low compared with other Structural Fund activity on the island. Approximately 44 million ECU have been allocated to SME promotional measures (from the Integrated Mediterranean Programme<sup>5</sup> (IMP)), which represents just under 8.4% of total CSF funding in Sardinia in the period 1989-1993.

Of the funds reserved for SME promotion, the bulk is attributed to the priority 'support for industry and services' category. Attempts to discover the way in which these are divided between the various sections of the priority axes within the CSF have so far been without success. Table 3 gives details of the division of EC finance between the various SME programmes operating in Sardinia. The greatest proportion of EC funding is directed towards Seed Capital (cheap risk capital for small firms), BIC (Business Innovation Centres), and pilot centres to encourage the commercialisation of handicrafts. The disparities between the total cost of these measures and the EC contribution for Seed Capital are reflected in the nature of that programme, which exists to stimulate the provision of risk capital from other sources. The pilot schemes for handicrafts largely consist of encouraging the establishment of

Table 2: CSF funding allocations 1989-93 for measures relating to the promotion of non-agricultural productive activity (Million ecu, 1989 prices)

Priority Axis	Community Grants		EC % of total* (1243.4 Mecu)
	Mecu	%	
support for industry/crafts, services	106.6	20.26	8.57
(of which support for SMEs)	(44.0)	(8.4)	(3.54)
research/development & innovation, training facilities	13.1	2.5	1.05
human resource development	14.8	2.81	1.19
tourism	61.1	11.61	4.9
technical assistance, publicity	1.3	0.25	0.1
total	196.9	37.4	15.84
total for all priorities (including those not listed here)	526.2	100.0	42.32

\*Total = EC grants + National public spending + Private sector finance

Source: gross figures from EC Commission (1989, p54) (Funds are allocated from the Integrated Mediterranean Programme (IMP) and the National Programme of Community Interest (NPCI) in the ratio: IMP 1:2.3 NPCI. These two programmes were established prior to the reform the Structural Funds in 1989, and set to run until 1992.)

Table 3: EC contributions to SME programmes in Sardinia, financed from IMP allocations (x1000 ecu)

Measure	1989-90	1991-92	totals	
	EC contribution	EC contribution	total cost	EC contribution
Risk capital (Seed)	1800	1200	10000	3000
PIM* leasing	750	1750	5000	2500
BIC	1843	1245	6500	3088
Applied research and technical advice	1500	1000	5000	2500
Handicrafts:				
pilot centres	2175	1675	7700	3850
publicity	760	840	3200	1600
commercialisation	400	800	2400	1200
Training	1270	932	4005	2202
Global grants	0	0	0	0

\*PIM: Italian abbreviation for the Integrated Mediterranean Programme

Source: EC Commission (1988, Table 11.2) See text for explanation of these measures.

co-operatives, which bring to individual craft workers both social advantages, and advantages associated with being able to share machinery and premises.

#### Programmes designed to foster the growth of SMEs in Sardinia

As we have seen, determining the amount of financing available to various CSF priorities for SME promotion is extremely complex, because allocations of funding are not clearly set out or defined by the EC and because the development of SMEs is not a specific priority or measure within the CSF. This level of complexity and confusion is apparent not just in the field of finance, but also in the workings of the programmes themselves, and in Sardinia's institutional arrangements. Consorzio 21, one of the principal institutions involved in the management of EC funds, has described the situation in Sardinia as being "...a complicated system of facilities for investors on the island" (Consorzio 21, no date, p9). The various programmes operating in Sardinia currently, are scattered among a number of institutions, of which three play a central role. These are Consorzio 21 (Consortium for assistance to small and medium sized enterprises), BIC (Business Innovation Centre), and SFIRS (Financial Society for the Industrial Rebirth of Sardinia). Table 4 shows the allocation of EC SME Programmes to these various institutions.

BIC Sardegna is one of the more exciting ideas for stimulating local small firm development put forward by the EC, with one of its principal aims being to stimulate the birth of new SMEs in Sardinia. After operating as a pilot scheme from 1988-89, BIC Sardegna then became fully operational. Half financed by the EC and half by the Regional government in Sardinia, BIC Sardegna has been awarded the use of the EC logo in recognition of its results every year since 1992. The Business Innovation

Table 4: The principal institutions responsible for managing EC SME schemes in Sardinia

Autonomous Region of Sardinia		
Consorzio 21	BIC Sardegna	SFIRS
Global grant for help with services for enterprises	European networks (e.g. EBN <sup>1</sup> )	Global grant for the reindustrialisation of closed mines
SPRINT project	Seed capital	Seed capital
PIM <sup>1</sup> Sardegna	Consultancy	Participative financing
Science/technology park	Nurseries/incubators	PIM <sup>2</sup> leasing

<sup>1</sup>EBN: European Business Network

<sup>2</sup>PIM: Italian abbreviation for the Integrated Mediterranean Programme

Centres were established with the aim of promoting new SMEs and encouraging the development of innovation among existing firms, and are intended to offer, "...a complete range of business and support services" (EC Commission, 1993, p8). As BIC Sardegna (no date a, p1) itself writes, "BIC is a structure for the creation of innovative enterprises and works through three mechanisms: a global approach, Seed Capital, and nurseries/incubators"<sup>6</sup>. The BIC operates as a consultancy for SMEs in Sardinia and aims to promote innovation and an entrepreneurial culture, using Seed Capital, the incubators scheme, and through making available experience gleaned as the result of the BICs "local, national, and international contacts." (BIC Sardegna, no date b, p5). BIC Sardegna participates in the European Business Network which co-ordinates the activities of Europe's 70 existing BICs and provides access to data banks on markets and products produced in other areas, to other networks, and to technological research.

The BIC's incubators scheme is one of the more innovative ideas of the EC, whereby new local firms are provided with premises and start-up or 'seedbed' capital. Elsewhere in Europe the premises consist of converted industrial buildings with the anticipation that several new firms can be accommodated simultaneously. The BIC provides communal services including legal consultancy, telefax, reception, conference space, access to data banks and so on. Despite the innovative nature of the incubators scheme, it has yet to establish a physical presence in Sardinia, which apparently lacks 'suitable' premises. According to the director of BIC Sardegna, this is due to the delays by the regional government in producing the necessary co-financing to match the EC contributions (interview with Dott. Mattolo, March 1994). The first incubator premises are destined to be located in Machiareddu, a declining industrial area on the outskirts of Cagliari.

BIC Sardegna's role in promoting new ideas and entrepreneurial innovation is accomplished in two ways: by selecting firms for assistance which are judged to have an innovative capacity, and also by encouraging links between Sardinia's universities and individual firms with the aim of producing projects which have a commercial value. Co-operation is also encouraged across national boundaries, between firms in certain sectors. Firms eligible for BIC assistance must demonstrate originality in their products or services. The BIC then monitors the firms' progress. Examples of the types of activity which have so far benefited from the BIC's support include: the production of PVC panels and electronic control systems, and the restoration of church organs. While 514 projects have been selected by BIC Sardegna for monitoring in the period between January 1989 and November 1993, only 44 (8.6%) are now underway or just starting up (BIC Sardegna, no date c). This low success rate is disappointing, as is the inability of the BIC (as of April 1994) to materialise the incubator scheme idea.

Both BIC Sardegna and SFIRS are involved in running the Seed Capital scheme which began in Sardinia in 1989. BIC Sardegna is responsible for finding suitable enterprises for investment, and for carrying out plans, analyses, and feasibility studies (Meletti, 1993). SFIRS is responsible for the distribution of funds associated with this scheme. Principal investors include; financial institutions, regional government and banks. This scheme, promoted by the EC, exists to stimulate the provision of risk/venture capital to newly established SMEs in Sardinia. Obviously the risks associated with lending capital to such enterprises are high, and its principal aim is therefore to increase the likelihood that potential investors will invest in these firms. Firms selected have a high growth potential and, again, those which are innovative are favoured. Not only does Seed Capital seek to increase the sources of funding available to enterprises, it also endeavours to ensure that the survival rate of such businesses is increased. Murray & Francis (1992) define three ways in which this aim is to be achieved. First, (subject to a ceiling of 250,000 ECU) the EC may make a contribution to the investment fund of up to 25% where this will reduce the risk to other investors. Secondly, the EC provides 50% of operating costs in the form of an interest-free loan for the initial five years. Finally, Seed Capital participates in a network which can provide assistance and information. As investors invest in the firms' equity, there is always the potential that repayment will produce high earnings should the enterprise prosper.

Despite the promise of the scheme, the actual number of firms benefiting from the existence of Seed Capital has been very low. An official at SFIRS described the entire project to me as "un disastro". In 1991 there were only two participants, in 1992 there was a further one, and in 1993 five more participating firms brought the total number of beneficiaries up to 8 for the period 1991-93. However as Murray & Francis (1992, p12) note "Seed Capital, by its very nature is both long term and highly uncertain. Any meaningful evaluation process must take account of this reality". Murray observes, in his study of some 24 Seed Capital funds, that one advantage to the entrepreneurs participating is that they have then been increasingly successful in obtaining additional funds from elsewhere, but he also raises the issue of the funds being too small for long term viability:

"Without further support from existing and/or new institutional investors, the majority of the funds face the very real danger of becoming insolvent within the medium term" (Murray, 1995, p25).

Like the official at SFIRS, Murray concludes his study with a largely negative prognosis for Seed Capital programmes in lagging regions such as Sardinia.

"In the more economically deprived regions, the goal of a self sustaining, private investment activity must be considered highly problematic" (Murray, 1995, p26).

Other SFIRS activities which comprise important EC activities aimed at promoting the growth of SMEs in Sardinia include PIM leasing, and Participative Financing. The former was financed by the IMP and the European Regional Development Fund until 1992, and was concerned with providing credit to SMEs in Sardinia. It received equal financing from both the EC and the regional government. It reduced interest rates on loans taken out by SMEs by 8% for up to one year. The scheme was able to reduce interest rates for 51 loans during the period 1991-93. While PIM leasing no longer exists, it has been replaced by a similar fund run by the regional government. Participative Financing is a more recent scheme, although it has been troubled by a three year start-up period. Co-financed by the EC and the region, delays have been caused both by bureaucratic hold-ups on the part of the region and slowness to produce its half of the finance. The scheme requires entrepreneurs to risk their own capital, effectively sorting those entrepreneurs willing to take risks from those who are not.

Consorzio 21, the other important institution in the field of EC SME promotion, operates a number of programmes. Its most important scheme is perhaps the construction of science and technology parks at four different sites on the island. The first feasibility study was begun in May 1990, yet to date the site is still an empty field; symptomatic of the delays and funding problems which have seemingly dogged any innovative scheme seeking to promote local-centred development in Sardinia. Many of the delays have been caused by having to wait for approval of plans and ideas by the Regional Council, the EC (for inclusion within the new CSF for 1994-96), and by the 'Ministry for Research'<sup>7</sup>. The main site of the park is to be in Pula (see Figure 1) on the outskirts of Cagliari, with satellite parks in the remaining provinces on the island. The Consorzio has published an impressive list of services that will be provided on the various sites, ranging from a heliport, hotels and sports facilities, to business services such as an incubator and business centre, training and information centre, and pooled technological laboratories. They lay claim to a set of aims which include links with the incubators set up by BIC Sardegna, and forecast successful spill-overs thereby providing the necessary input to growth in the economy as a whole. Other peripheral regions have shown the way. For example, BIC Galicia (northwest Spain) has had at least four enterprises operating in its science and technology park since 1993.

Consorzio 21 is the recipient of a number of 'global' grants which effectively bypass the national administration. This enables it to manage these schemes directly without bureaucratic interference from the regional or state administration. Italy is currently one of the most frequent applicants for global grants. The first of these won by Consorzio 21 allows it to provide services directly to SMEs in Sardinia. It involves the creation and development of a consultancy service, market and demand

survey work, and the creation and development of common services for firms. The Consorzio's figures suggest that they have been able to provide services for 17 firms, and 13 associations (Consorzio 21, no date b). They do not, however, give any indications of the time period for this support.

PIM Sardegna is a programme operated by the Consorzio. It provides grants up to 70% of essential costs in order to stimulate growth of research programmes likely to have a direct application for SMEs and the artisan sectors. A secondary function of this scheme is to permit the Consorzio to distribute technology information and provide access to data banks this is the so-called "technology window" (Consorzio 21, no date c, p86). The Consorzio also participates in the EC programme SPRINT, which aims to create a favourable environment for innovation and the transfer of technology between industrial sectors and regions by improving infrastructure and communications (BIC Sardegna, 1993, p96). It is difficult to provide any evaluation of the success of the Consorzio's initiatives due to extreme difficulties encountered in obtaining information from this institution.

EC attempts at promoting SME growth in Sardinia have, therefore, been less than successful. The innovative incubator scheme still has no premises for the new firms it aims to nurture. The science and technology park, although sounding excellent on paper, is still an unploughed field. Seed capital has been of assistance to a maximum of eight firms in three years, and is working slowly. In terms of stimulating development in the region it is clear that any of these programmes can only contribute in small way to promoting SME growth. Indeed as mentioned in the introduction, a question mark still hangs over the validity of a local-centred, 'small firm' development approach of this nature. As mentioned, the EC does devote considerable resources to improving basic transport and communications infrastructure in the region, although it is difficult to envisage the day in which the EC Structural Fund programme could bring about growth rates that would set the island on the road to cohesion with the richer EC regions in the core metropolitan areas of Europe. Despite this, a small firms policy has considerable advantages for a region such as Sardinia. It neatly avoids criticism of imposed, top-down development out of step with local cultures and traditions. It sidesteps ideas of 'inappropriate' development by working with the potential of individual localities. Endogenous development after all provides a useful rhetoric of self-help and grass roots development (Batterbury, 1994).

It is still early days. The first CSF was only concluded last year (1993), and the second CSF is just beginning. It is nonetheless important to identify reasons for the failure of European Community efforts in Sardinia. As mentioned earlier, the entire system of EC supported SME programmes is extremely complex, with overlapping

programmes and many different organisations seemingly offering similar services. A result is that the entrepreneur is often unaware of what s/he is eligible for, and how the various programmes operating can help. In some of the schemes, such as Participative Financing, and other global grants not outlined here, the businessperson is required to invest a substantial amount of his or her own capital. This can make measures designed to promote SMEs and stimulate their growth unattractive to the intended beneficiaries, or even exclude them. Where the entrepreneur produces the required capital, they may have to wait for long periods before that investment can be matched by the EC. These kinds of delays can be critical to the success of a entrepreneur's investment, especially at an early stage. The capital input is needed at the start of an investment, and not after that investment has already been financed by the entrepreneur.

The complexity of the entire system is a second factor which inhibits access to these programmes for the entrepreneur. Given that many of those working on the administrative side of the various programmes are not aware themselves of the details of other programmes designed to support SMEs, it is not hard to imagine how much more difficult it is for the entrepreneur to know about and participate in these various schemes. The results of this confusion are two-fold. Firstly it means that the sources of advice to firms and entrepreneurs may be incomplete or flawed, and secondly it means that the entrepreneur often misses opportunities to participate in programmes specifically designed to assist his or her particular enterprise. This confusion results from an overly complicated system of administrative institutions and actors involved in administering the various EU funded programmes, combined with a lack of transparency within the EC itself.

Whilst the activities of the principal institutions involved in EC SME promotion have been outlined here, there are other institutions involved. Examples include: the *Unione Regionale Sarda Costruttori Edili* which receives a global grant for the "provision of 'innovative services' to construction firms in southern Italy" (URSCE, no date, p1), and *Europartenariat*, operated by the Chamber of Commerce in Cagliari, which encourages business co-operation between SMEs in peripheral economic regions of Europe. Clearly, the system of support and finance for SMEs in Sardinia is unnecessarily complicated, and consequently has the effect of impeding opportunities for the intended beneficiaries, and also endangers the efficient running of the entire EC SME programme in Sardinia altogether. A solution to this would be to create an agency responsible for dealing efficiently and accurately with enquiries, able to direct them to the appropriate institution. Yet this would be no substitute for the real and effective simplification of the entire institutional framework of financial aid and economic assistance.

The notorious Italian bureaucracy also bears a high burden of culpability in the many failures of what seemed to be innovative programmes with great potential for the SMEs. D'Alberti has observed

"...the excessive invasion of politicians, the rigidity of administrative structures and procedures, have without doubt contributed to rendering arduous the exercise of an efficient role by our public administrators" (1990, pp15-16, author's translation<sup>8</sup>)

The literature on Italian bureaucracy is large (e.g. Dogan, 1975; Hine, 1979; Ham & Hill, 1984). We can draw a few simple points from it which illuminate the Sardinian case. Bureaucracy is hampered by excessive compartmentalisation, which hinders flexibility and encourages hostility rather than co-operation between departments. The maintenance of rigid hierarchies impede promotional prospects for excellence, and the best qualified individuals are excluded as the result of low pay and party patronage appointments. Notwithstanding the recent 'tangentopoli' scandal<sup>9</sup> and collapse of the old established parties, there has been no bureaucratic reform and many of these clientalistic appointments still stand. For Donolo (1975, p167), "...this primacy of politics is synonymous with total inability to take decisions on vital questions". There is an over-emphasis on legal process, leading to an over legalistic rather than problem solving approach. The system is slow and inefficient and based on "...formalistic requirements of the 19th century administrative law" (Passigli, 1975, p231). Cassese argues that "...legal training provides functionaries who think more in terms of applying norms than of solving administrative problems", and that the low risk of dismissal means that the administration is staffed by 'time-servers' (quoted in Spotts & Weiser, 1986, p132; see also Cassese, 1974; 1977).

A persistent complaint among those trying to administer the EC frameworks (in the BIC, and SFIRS in particular) was of the failure of the regional government to approve the required co-financing in time for early implementation of the various programmes. As a result, 'Participative Financing' for example has taken more than three years to get off the ground. In some cases it was also alleged that important EC grants had been lost to Sardinia as the result of the inefficiencies of certain bureaucrats in the regional government, although I have so far been unable to substantiate these claims. Undoubtedly one effect of the large number of institutions administering the various EC programmes is that there is a certain amount of duplication of personnel and wastage of resources and time. The director of SFIRS suggested to me that one of the best ways of ameliorating the current situation (short of more radical measures) would be to abolish the notion of a 'job for life'. A measure that would obviously encounter extreme resistance, and one which although it punishes failure does not reward success. How to reward success is of course itself problematic in a system where rewards are liable to be overtaken by the existing

political culture grounded in patron-client relations. Resistance to reform of any kind is endemic as Amato makes clear:

"Reform means there are always winners and losers. The collective conviction of their necessity (i.e. of these reforms) does not do away with the determination of each to safeguard his own privileges and hence the very real risk of mutual vetos" (quoted in Allum 1993, p27).

The problems which the EC has encountered in getting its SME programmes running could be interpreted as mere teething problems. However, the majority of the problems seem to be due to the inherent weaknesses in the Italian politico-administrative system, which are endemic to the region and are moreover characteristic of the country's history. The recent election of a new government under a new system, is insufficient to eradicate these structural problems. Only time will tell however, if the new regime will be able to alter the nature of the administrative system in Italy. While this seems improbable, it must always be remembered that the 'mani pulite'<sup>10</sup> operation was also unexpected at the time.

It is possible that international and global recession could effectively truncate the possibility of any benefits from Structural Fund activity in Sardinia, but in this instance we can confidently assert that bureaucratic inefficiencies, and an over complicated administrative system are effectively to blame at present since other lagging regions of Europe, equally marginal to core industrial and commercial districts, have been much more successful at implementing programmes aimed at stimulating SME growth. When making this assertion, it must be recognised that the reasons for the development of such a complicated system in the first place need to be understood; they are beyond the reach of this paper. Of course the difficulty which the Commission has encountered in putting its SME promotion ideas into practice in Sardinia should not halt it from continuing its efforts. In the face of increasing centralisation of wealth and industry within the Single Market, it could be said that the Commission has a moral imperative to attempt to redress growing regional disparities in Europe. For this reason the idea of fostering SME development has obvious appeal. It foresees an appropriate development which is more likely to be sensitive to local needs and traditions than previous 'top down' inspired attempts at bringing development to the island.

Vanni d'Archirafi, the Commission official in charge of Enterprise policy, writes

"The Union can undoubtedly grow in economic strength, while boosting employment and income growth. Yet, to achieve this collective aim we need to take advantage of the strengths of our enterprises, especially SMEs, by fostering their links with the social fabric and enhancing their competitive edge, while helping them to overcome administrative and legislative hurdles and devise suitable industrial strategies" (EC Commission, 1994b, p1).



It must not be forgotten that these 'hurdles' are likely to be found in all Objective One regions in different forms, but they have proved major barriers in Sardinia. A recent body of literature has begun to point to the importance of recognising the role played by social networks and institutions in understanding economic activity (e.g. Granovetter, 1985; North, 1991; Dupuy & Gilly, 1994). The European Commission needs to devise a strategy which will enable it to work within the social networks surrounding economic activity in Sardinia. This includes work with officials and entrepreneurs, and will prove essential in order to hold out any prospect for real success.

#### Footnotes

1. The European Community (EC) treaties were formerly incorporated into the European Union in November 1993, although the term European Union tends to be used with reference to political aspects associated with the Maastricht Treaty (the treaty of the European Union). Throughout this paper, the term European Community is used when referring to Structural Fund policy.
2. The CSF is a form of development plan through which the Community allocates the majority (90%) of its Structural Funds.
3. A fund for the south of Italy set up in 1950 by the Italian Government initially to tackle agricultural problems. The institution then evolved into one intended to redress regional inequality by encouraging the movement to the South of heavy, capital intensive industry. It was abolished, having been declared a failure, on 2-8-94.
4. 'Additionality' is the requirement that EC Structural Fund projects run in addition to, and not instead of, state development schemes.
5. The Integrated Mediterranean Programme was originally set up to give financial assistance to existing Mediterranean member states following the enlargement of the EC to include Spain and Portugal. During the 1989-1993 CSF, funds were accordingly allocated from both IMP and NPCI (National Programme of Community Interest) funds. IMP funding was set to end in 1992, as it was a transitional measure designed to cushion the impact of Community enlargement for Italy and Greece.
6. "Il BIC è una struttura per la creazione d'impresa innovativa ed opera attraverso tre strumenti di intervento: approccio globale, seed capital, incubatori."
7. The Ministry for Universities was amalgamated with the Ministry for Research and Scientific Technology in 1989 to become the Ministry for Universities and Scientific Technological Research.
8. "L'eccessiva invadenza dei politici, le rigidità delle strutture e delle procedure amministrative, hanno certamente contribuito a rendere arduo l'esercizio d'un ruolo efficace da parte della nostra dirigenza pubblica."
9. This scandal shook Italy: it was associated with revelations of corruption among business people and politicians, whereby kickbacks and bribes has become common practice within political life at all levels.
10. Literally, "clean hands"; a term used to describe the work of the magistrates such as Di Pietro (who recently resigned) in uncovering and prosecuting corruption scandals.

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Copies of the mimeos and leaflets referred to above are available from the author.

**Abstract:** The thesis of this article is simple and three-fold. That is, whilst some 'general' environmental awareness and concern has always been present in Buddhism, in the post-1945 period such concerns have become (a) more necessary (challenge), (b) more overtly and clearly expressed and articulated in Buddhism (response) and (c) linked to wider issues of social activism and inter-faith convergence. Environmental management and implementation of appropriate policies depends not just on appropriate technologies but also appropriate values - a 'global ethic'. It is these strands that will be unfolded in an explanatory and illustrative sense. In doing so a distinctive Buddhist framework seems perceivable.

### Buddhist environmentalism: developing paradigms

- David Scott\* -

At present there is something of a boom in material dealing with the interface between Buddhism and Green issues (for example, see Badiner, 1990; Batchelor, 1992a), though as far back as 1967 White was suggesting a particular relevance of Buddhism for environmental considerations in the American magazine *Science*. Within the environmental field there is a continuing vigorous debate over the relative roles of appropriate technologies and appropriate values. Talk of values in turn involves consideration of the role of religion, be it as a force helping or hindering the development of appropriate environmental strategies (Klostermaier, 1973). Here, Buddhism offers some interesting features, of both teaching (theory) and of practice, to which we can turn.

#### Theory

Recently, Ian Harris (1991) has cautioned about misreading descriptions of future/mythic Buddhist settings as thereby showing Buddhism as having been generally environmentalist in its outlook. He is right to be cautious about extrapolating from this genre of material, and to point out the modern nature of explicit environmental programmes. Nevertheless it does seem equally clear that there are

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