
Experimental governance in ‘trapped’ regions? What can and cannot be done in Europe’s periphery

Quality of governance has become one of the key concerns in academic and policy debates on the future of regional development policies. This is because a significant amount of evidence has emerged that it is one of the key factors (if not the key factor) hindering the development of Europe’s lagging regions. Notwithstanding our growing concern with this issue, there is still limited knowledge about the reasons why low quality of governance persists in some places, despite decades of European integration and various initiatives aimed at improving institutions. At the same time, solutions to the problem of weak institutions often revolve around innovative and resource-intensive ideas, such as experimental governance. This paper will contribute to these debates by examining the limitations of new governance approaches in places with weak institutional settings, through the case studies of Valencia (Spain) and Piemonte (Italy). It argues that these limitations are partly about the characteristics of governments in these places, but partly also about the characteristics of the users of such policies.

La calidad de la gobernanza se ha convertido en una de las principales preocupaciones de los debates académicos y políticos sobre el futuro de las políticas de desarrollo regional. Esto se debe a una cantidad significativa de evidencia de que la calidad de la gobernanza es uno de los factores clave (si no el factor clave) que obstaculiza el progreso de las regiones menos desarrolladas de Europa. No obstante, a pesar de una creciente preocupación por esta cuestión, todavía existe un conocimiento limitado sobre las razones por las que persiste la baja calidad de la gobernanza en algunos territorios, a pesar de décadas de integración europea y de diversas iniciativas destinadas a mejorar las instituciones. Al mismo tiempo, las soluciones al problema de la debilidad de las instituciones suelen girar en torno a ideas innovadoras y exigentes, como la gobernanza experimental. Este artículo contribuirá a estos debates examinando las limitaciones de este nuevo concepto de gobernanza en territorios con entornos institucionales débiles, a través de los estudios de caso de Valencia (España) y Piemonte (Italia). Argumentará que estas limitaciones tienen que ver en parte con las características de los gobiernos en estos territorios, pero en parte también con las características de los usuarios de tales políticas.

Gobernantzaren kalitatea eskualde-garapeneko politiken etorkizunari buruzko eztabaida akademiko eta politikoen kezka nagusietako bat bihurtu da. Horren arrazoia da gobernantzaren kalitatea dela European gutxien garatuta dauden eskualdeen garapena oztopatzen duen funtsezko faktoreetako bat (funtsezko faktorea ez bada). Hala ere, gai horri buruzko kezka gero eta handiagoa den arren, oraindik ere ezagutza mugatua dago zenbait lekutan gobernantzaren kalitate eskasak irautearen arrazoiei buruz, nahiz eta hamarkadetan Europa integratuta egon eta erakundeak hobetzeraz bideratutako hainbat ekimen egon. Aldi berean, erakundeen ahuleziaren arazoaren konponbideak ideia berritzaile eta zorrotzen ingurukoak izaten dira, hala nola gobernantza esperimentalaren ingurukoak. Artikulu honek eztabaida horietan lagunduko du, gobernantzaren kontzeptu berri horrek ingurune instituzional ahulak dituzten lekuetan dituen mugak aztertuz, Valentziako (Espainia) eta Piemonteko (Italia) kasu-azterketen bidez. Muga horiek lurralde horietako gobernuen ezaugarriekin zerikusia dutela argudiatuko du, baina baita politika horien erabiltzaileen ezaugarriekin ere.

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1. INTRODUCTION

In the European Union (EU), the problem of deepening territorial inequalities as a result of economic integration has been a concern almost from the start (Brunazzo, 2016). Since the EU's inception there have been periods of national GDP convergence with within-nation divergence, national divergence with some countries experience decreasing regional inequalities, and of course periods of generalised economic (and social crisis) from which different territories recovered at varying speeds. In particular the latter has been captured by the notion that some medium and high-income re-

gions have been in a development trap since 2010 (Diemer *et al.*, 2022). Mainstream economic geography may see these trends as the normal result of agglomeration economies reshaping the EU's economy, especially as the restrictions on trade disappeared and the free movement of people allowed for a reallocation of resources to those places that offer the highest returns (Pike *et al.*, 2016). Others may opt for an institutional lens, arguing that high quality institutions in some territories lead to better decisions by policy makers and a better innovation or business environment, that generates growth through a process of cumulative causation. Still others will focus on the political economy of development, and argue that territories are shaped by decisions taken by powerful actors, such as multinationals making decisions about where to locate based on their perception of which resources are most useful to them in each region.

In recent years the EU has sought to address these disparities by focusing on two main areas of investment. The first, as expressed in Barca (2009), is based on the idea that lagging regions represent underutilised resources, because they are not operating at the technological frontier and productivity levels that they could be if they matched the most developed territories in their own country, or in the EU. As such, the goal of Cohesion Policy, the main instrument of the EU to address regional inequalities, is not to redistribute wealth but to help unlock this latent potential. A second area of investment, which has emerged more recently, is based on the argument that high quality institutions are a key variable explaining why certain territories are more effective in their use of cohesion funds (Rodríguez-Pose, 2020). This paper will focus on this second area of investment.

It will build on the concept of experimental governance, which has emerged over the last two decades as one approach that could be deployed to help improve institutional quality, by encouraging territories to focus on three aims: design policy that is experimental, involve a broad range of stakeholders, and implement effective monitoring and learning mechanisms (Sabel and Zeitlin, 2012; Morgan, 2018). This paper will contribute to this debate by questioning the extent to which this approach is realistic in regions with weaker institutional settings. It will use the case studies of Valencia in Spain and Piemonte in Italy, by focusing specifically on the evolution of its evolution policy in recent years. In both regions, these policies are primarily funded through cohesion policy, and as such the analysis is multi level, in the sense that it considers how actions at different levels of administration shape the final outcomes.

The next section will develop further the theoretical framework for this paper, by exploring first the various literatures on what it means to improve institutional quality and second how the concept of experimental governance contribute to this debate. This will be followed by a discussion of methods before proceeding with the analysis. Finally, the paper will offer some broad conclusions.

2. QUALITY OF GOVERNANCE AND REGIONAL DEVELOPMENT

The persistence of territorial inequalities in the countries of the European Union (EU) is an economic, social and political problem. The EU has sought to address these

issues through Cohesion Policy, which currently comprises the largest share of its budget, with limited results (Barca, 2009). In order to improve their efficacy, an effort was made in the funding period starting in 2014 to shift spending towards 'soft factors' such as business competitiveness and innovation, due to the perceived failure of previous investments in 'hard factors' such as infrastructure (Marques and Morgan, 2018). Currently, while seeking to fine-tune and increase the impact of cohesion policy, the EU also adds other responsibilities onto it by trying to combine environmental and social goals with economic ones. Overall, and despite some positive results, it remains that territorial inequalities have persisted in its Member States, if not increased, especially due to the reinforcing, negative effects of the economic crisis that started in 2008 and deepened in 2010 with the turn to austerity (Hadjimichalis, 2018). Diemer *et al.* (2022) captured this persistence by referring to the economic development trap of some mid and high-income regions in Europe that since 2010 have either not recovered or seen a decline in their employment base.

On the political front, a growing body of literature has shown that relative decline and 'hopelessness' in peripheral territories is driving the rise of far right and populist politicians, a situation that threatens the survival of the EU itself (Rodríguez-Pose, 2018). Though economic geographers and those working on regional development have often alerted to the economic or social inequities that result from territorial disparities, most of those consequences tended to be felt by the populations of the poorer regions themselves (Pike *et al.*, 2016). This new line of research on the 'revenge of the places that don't matter' demonstrates that these consequences are far reaching and lead to significant political instability. Perversely, it appears that only now that territorial disparities affect the status quo in more developed regions, have they finally become prominent in policy discussions.

Regarding the implementation of regional policy in general, and cohesion policy in particular, the one area where a certain level of consensus has emerged is that institutional quality is a key variable (if not, *the* key variable) explaining variation in policy outputs, in a variety of domains (Rodríguez-Pose, 2020; Rodríguez-Pose and Ketterer, 2020). According to this line of research, the most important investment that a region or country can make to ensure a better future for its citizens is to improve its institutions and governance mechanisms to ensure better decision making.

However, what does it mean to improve institutional quality? There are different ways to approach this matter. At the national level, some economists emphasise the importance of first order institutions, such as the rule of law, respect for private property or the protection of intellectual property (Acemoglu *et al.*, 2005). This is captured by the concept of inclusive institutions, as those that ensure that the largest number of people possible within a country have equal access to resources such as education, health or employment opportunities. In other words, high quality institutions are those that regulate and enforce first order factors. Others argue that inclusive or high-quality institutions should be more encompassing (Hickey *et al.*, 2014; Teichman, 2016). For example, guaranteeing women's access to the labour market may improve

their absolute position within society (by ensuring they can earn income) while maintaining their relative position of subalternity vis a vis their male counterparts. In this sense, high-quality institutions go beyond regulating access and equality before the law, and seek to enforce greater relative and absolute equality for all.

A different take is offered by Fukuyama (2013), who argues that the key to good governance is a well-trained public sector, with a certain degree of independence. This is called embedded autonomy, and it posits that high-quality public administration is the key to ensure transparency and the rule of law and to avoid the undue influence of interest groups (both within and outside the state) who merely try to appropriate the resources of the state for their own benefits. Yet a different perspective emerges out of research on industrial policy and in particular the recent examples of growth in South East Asia (Amsden, 2001; Juhász *et al.*, 2023). It argues that orthodox views on institutional quality, that focus primarily on macroeconomic stability, ignore the unorthodox and heterogeneous routes that these countries took on their way to economic development (Rodrik, 2005). According to these authors, what matters is the long-term investment in technological and business capabilities, even if this requires breaking some ‘mainstream’ principles, such as the idea that the private and the public sector should maintain arm’s length relationships. This line of research also shares similarities with the literature on national systems of innovation (NSI), particularly those authors looking at NSIs as a development tool (Bell, 2009).

Though all of these frameworks are useful, despite their obvious differences, their relevance to discussions of regional or subnational institutional quality is limited (Morgan and Marques, 2019). At this scale, state authorities rarely have the authority to regulate first order institutions, for example, or to design industrial policy (though they may be responsible for implementing parts of the latter). Wealthier regions may have a greater say in these matters because their own internal resources can be mobilised for locally designed policies (Navarro *et al.*, 2014), but this is much less the case for peripheral territories, that are likely to be even more dependent on funding and policy emanating from other scales (Oughton *et al.*, 2002). What then does it mean to have high quality institutions at the subnational scale?

Here we would distinguish between actions that operate on formal and informal institutions (Farole *et al.*, 2011). Formally, the quality of public administrations is a key element of good governance (Fukuyama, 2013). This is probably one of the dimensions that is valid both for national and subnational levels of administration. Based on previous case studies, it would be important to say that aside from quality, quantity is equally important, since some cases of failed policy implementation for example in the area of innovation, appear to be due to the limited human resources dedicated to this area (Marques and Morgan, 2021a). Furthermore, transparency and the fight against corruption is also a fundamental staple of governance quality (Farole *et al.*, 2011). Even if regional or local authorities do not have the power to regulate areas such as public procurement, they do have a say in the way these ac-

tions are designed and implemented. As such, they have sufficient leeway to improve transparency and push back against opportunistic behaviour. Finally, it is also believed that coordinated policy approaches, in contrast to silo-based approaches, are better at delivering policy outputs, especially when dealing with complex multi-dimensional issues such as economic development (Matti et al., 2017). Here too, subnational authorities tend to have the capacity to intervene.

In terms of informal institutions, one fundamental aspect of how they operate depends on their openness to outsiders. When power is controlled by close knit communities, especially in contexts where formal institutions are not strong enough to resist opportunism and enforce the rule of law, they tend to use public resources for rent seeking activities, or the outright illegal appropriation of funds (Farole et al., 2011). As such, improvements in institutional quality can only be achieved through actions that encourage the inclusion of new social and economic actors, or an increase in bridging social capital that can help break the hold that some interest groups may have on the policy process. This can be done by deliberate efforts to make policy networks more diverse and inclusive.

Finally, it is important to clarify that new or better policy design is not sufficient to achieve better institutions (Marques and Morgan, 2021a, 2021b). Though this often seems to be the approach taken by higher administrative scales, it is based on the belief that previous policies failed because they were inadequate. As political scientists discovered many decades ago, policy implementation (not design) is what explains policy success or failure (Weible and Sabatier, 2017). Implementation in turn is dependent on the formal and informal aspects of institutions, and their interaction, which brings us back to the discussion had in previous paragraphs. To assume that policy failure is a technical issue, rather than an institutional problem, is to fundamentally misunderstand the nature of policy processes.

3. EXPERIMENTAL GOVERNANCE AS A RESOURCE INTENSIVE APPROACH

The challenges laid out in the previous section in terms of what is necessary to improve institutional quality demonstrate the scale and scope of the actions that would help deliver that aim. This explains the recent interest in public sector innovation, because it is believed that in order for institutions to change, some sort of disruption is necessary (Grillitsch and Sotarauta, 2020). Experimental governance has been hailed by organisations such as the OECD (Morgan, 2018), or researchers such as Sabel and Zeitlin (2012), as the type of innovation that can induce changes in both formal and informal institutions and help deliver better policy outcomes.

Experimental governance is based on three principles. The first, as is made explicit from its nomenclature, is the desire to design and implement policies that are experimental, in terms of their novelty and ambition (Morgan, 2018; Wolfe, 2018). This means a deliberate intent to break with policy continuity and the status quo by creat-

ing (or taking advantage of) a policy window (Weible and Sabatier, 2017), while also working towards aims that may include a certain amount of risk and uncertainty. As has been often discussed in the literature, the reluctance of public institutions to accept risk is a major barrier to delivering ambitious policies. The second principle of experimental governance is collaboration within government and between the state and its stakeholders (Morgan and Sabel, 2019). The aim of the former is both to avoid silo approaches within the public sector, and the lack of coordination between different administrative scales. The latter is seen as both a strategy to gather knowledge from stakeholders but also about building governance regimes that mobilise non-state actors during implementation, to avoid lack of engagement, ensure accountability and ensure that policy instruments reach their desired targets. The third principle is the design of effective monitoring and learning (M&L) mechanisms (Morgan, 2018; Sabel and Zeitlin, 2012). Though often the most ignored of the three principles, this is potentially the most important building block of this framework. M&L in this framework is not about reporting or compliance, but rather about collecting data in real time that be used to learn and adapt. This is fundamental to ensure continuous innovation in the public sector, but also to help manage risk and uncertainty.

Taking into consideration the discussion in the previous section and the principles of experimental governance outlined, what is the potential and limitations of this approach? Its aims include changes to both formal and informal institutions, even if not stated in this way. Principles one and three require well trained public administrations, that can design and implement novel and ambitious policy instruments, but also M&L according to the principles outlined. It also requires high levels of transparency, since corruption, nepotism or even the favouring of specific interest groups would surely undermine any attempt to include new actors, implementing innovative projects. Principle two, and to a certain extent principle three, would operate to improve informal institutions, because it deals precisely with the need to expand policy networks and make them more inclusive, during design and implementation stages, but also in M&L practices. As such, it would contribute to break the hold that interest groups or a small number of policy communities may have on public resources. This interpretation would lead us to conclude that experimental governance does indeed have the potential to transform and improve institutions.

However, there are also several fundamental limitations with this framework. The first is that as mentioned at the end of the previous section, policy processes do not change by design. Political scientists and others who study institutions, have shown that continuity and resistance to change is the norm, even in the face of massive technological or social upheavals (Weible and Sabatier, 2017; North, 1990). When policy does change, it is usually as a result of a policy window that opens either through normal political cycles (elections, for example) or due to unexpected internal or external events. When policy windows open, the process through which new policies are chosen is often laden with ambiguity, lack of knowledge, and uncertainty, and therefore even then it is not guaranteed that new ideas can easily be introduced, especially if

they challenge entrenched interests (Weible and Sabatier, 2017). This does not mean that there is anything fundamentally wrong with experimental governance, but merely that having a well-designed concept, that makes sense logically and that can be proven to deliver better policy outcomes, is not sufficient to ensure that it would be adopted by policymakers, even in the event where the opportunity presents itself.

The second limitation has to do with the realities of policy implementation (Pressman and Wildavsky, 1984). Policy design can and often involves teams of policy experts, with or without the support of external consultants, weighing in data and past experience with potential new policy approaches and instruments. In some cases, it may also include political support that provides further encouragement and resources, which are expected to help deliver even more ambitious, or at least better designed, policy documents. Implementation however is based on bureaucratic procedures. At this stage what matters are resources available to deal with the minutiae of instruments through which policy is actually delivered, such as writing calls for tender and evaluating proposals, or drafting and executing public procurement policies. This is the realm of administrators and lawyers, not policy or political entrepreneurs. Practical matters such as the quality and level of resources available (human and otherwise), regulations and public sector procedures, or compliance mechanisms are ultimately what determines the quality of the implementation and these are usually domains that are regulated at a different scale or department and are more resistant to change (Marques and Morgan, 2018). In other words, a regional or local government may be committed to experimental governance and provide political support to its adoption, but still face significant challenges to implement its principles due to bureaucratic realities.

In order to examine both the potential and limitations of experimental governance or similar types of public sector innovation, this paper will use the case studies of innovation policy in Valencia in Spain, and Piemonte in Italy.

4. METHODOLOGY

The two case-study regions share some similarities in terms of their economic structure. They both have a strong manufacturing base particularly in low or medium-tech industries, an important agro-food sector, and high levels of tourism. Piemonte was in the past a hub of innovation and high-tech activities, in the automobile industry for example, due to the location of Fiat headquarters. In recent decades however, its major companies have been in decline (measured in terms of their employment base in the region) and its businesses are now primarily part of value chains that have their command and control functions, or R&D activities, elsewhere. They are also both regions that are in a development trap, though there are some recent signs of positive employment growth. Though neither Valencia or Piemonte used the term experimental governance explicitly, they have both in recent years attempted to use innovation policy to increase value added in their territories, namely by redesigning or

creating new governance mechanisms. The principles behind these efforts are similar to those outlined in the experimental governance concept, namely the desire to be novel and ambitious, and to have inclusive governance. Effective M&L was, as is often the case, far less explored beyond reporting requirements.

The analysis is based on 74 interviews in Valencia and 91 interviews in Piemonte, with a mix of individual interviews, joint interviews, and focus groups (see tables 1 and 2 in Appendices for a full list of interviewees). The latter happened when interviewees were all working for the same organisation. Interviews in Valencia were conducted in two periods: 6 interviews happened between November 2018 and March 2019 and the remainder between June 2021 and September 2021. Interviews in Piemonte were conducted between September and October 2020. Even though some of the interview scripts were adapted at different moments, due to evolving or distinct research aims, all scripts had a set of questions about innovation policy.

These questions asked about its strengths and weaknesses, from the perspective of the interviewee(s), the extent to which policy instruments encouraged or hindered open networks, and about how the policy should change to become more effective. In terms of the time period considered, the primary focus of the question was on actions taken after 2010. Due to the impact of the economic crisis in the economies of Southern Europe, it was implicitly or explicitly stated in both regions that post-2010 austerity marked a break with the previous period. This was also the period in which European regions had to design and implement a smart specialisation strategy, which was in itself an attempt to redirect innovation policy and make it more both more experimental and more inclusive. The analysis is based on replies to the aforementioned questions about changes that occurred in this period.

5. INNOVATION POLICY: CONTINUITY OR EXPERIMENTATION

The first dimension of this analysis focuses on the extent to which innovation policy in both regions has been geared towards continuation, which means both a replication of previous policies and to the support of established sectors or technologies, or towards experimentation. The answer to this question is of course not a simple binary one, but rather about tendencies. In this vein, from a formal point of view both regions have attempted since 2010 to introduce novelty in their innovation policy. This was partly driven by a reaction to the economic crisis, which made obvious the structural economic problems in many regions of Europe. In the case of Valencia and Piemonte, both regions had in previous years relied on growth in construction activities, led by a real estate bubble and/or investments in public infrastructure, and tourism, for its employment and economic growth. The crisis of 2010 had therefore the effect of pushing both regions towards an endogenous growth approach, backed by investments in technology and innovation, rather than a reliance on public investment and housing.

Novelty in innovation policy was also encouraged by the need to design a smart specialisation strategy, as previously mentioned, which implied both a (re)evaluation

of each territory's economic and knowledge strengths, and the consultation of a broad range of stakeholders as part of the entrepreneurial discovery process. In the case of Valencia this desire for change was supported furthermore by a new government at the regional level in 2015, led by the Socialist party in coalition with two other left-wing parties, after several decades of governments led by the centre right party PP. The Valencian Socialist party had been a pioneer at the European level in the area of industrial policy, with the creation of a network of technological centres in the 1980s to support its core economic sectors, and a public agency to support business competitiveness. Upon its return to power it created the Valencian Innovation Agency (AVI, in the Spanish acronym), with the explicit aim of improving university-business interactions in order to increase value added in the region. This agency was under the direct control of the President, with the intent of demonstrating political commitment to notion that innovation would be a core concern of the government.

In the case of Piemonte there have also been changes in government in the period considered, though according to interviewees this was not the main factor driving new policy approaches. Rather it was the collapse of local firms, particularly Fiat, which at its heyday employed over 100.000 people in the area surrounding the capital city Torino, and that was down to less than 10.000 by the time the interviews were conducted. Other core industries or firms had also experienced a significant decline in employment or had disappeared. In practical terms, the government had created a cluster policy, organised around specific clusters, which also had the aim of supporting R&D networks between firms and with Universities or research centres, aside from developing other activities such as external promotion or participation in trade fairs. The government also increased its support for the network of vocational schools, created by the national government, to reduce school drop out rates and deal with a structural problem of low human capital. Furthermore, it supported start-up incubators in the major Universities.

Despite these efforts, the overall consensus in both regions is that the new policy instruments had mostly served to continue supporting existing industries, and mostly through incremental innovation. In Valencia, the technological centres continue to be among the main recipients of innovation resources, especially those funded through cohesion policy. Some of these centres have a sectoral specialisation and tend to rely on a small number of regular collaborators. Those that have a technological rather than sectoral do collaborate across industries, but often more as providers of services such as consulting, rather than as agents that mobilise actors for more experimental projects. When the technological centres collaborate with technology-based companies or start-ups, which could be a way to seek more experimental innovation projects, this is usually because the funding itself requires it and there is a small number of reliable companies with whom they work. Only one of these technological centres had an explicit policy of increasing their networks by actively seeking to attract new SME partners. AVI, the innovation agency, did have new lines of funding that were designed to be more experimental. One of these sup-

ported the creation of units within research centres, to encourage further networking with local firms. However, the effect of these activities was hindered by low levels of local demand. As one interviewee stated:

«We have tried in the past to collaborate with local firms, but they don't have the capacity to work at the same level that we do, from a technological point of view. Even if they recognise value in the technologies that we are developing, they will only work with us if there is public money, because they don't have resources. On the other hand, we may have a Japanese multinational that flies its people to visit us and signs a contract worth millions of euros»

Interviewee with a managerial position the Chemistry Technological Institute (ITQ in Spanish)

In Piemonte there was a similar problem of innovation 'silos', based on sectoral or technological boundaries, and network closure. The cluster organisations would primarily support firms within their own area of activity and therefore the amount of cross-cluster collaboration was low. They had achieved some positive results in terms of increasing the number of firms participating in R&D networks that were supported by these instruments, but after the first years of activity had hit a ceiling and the number of companies involved had stopped to grow. They became known as organisations that managed public funds for R&D activities, and therefore firms that were not interested in these resources would not join the clusters or participate in its networking activities. In this case study, this problem was compounded by the inexistence of a central organisation that could at least attempt to improve the governance of the system. Though in the Valencian case there are some implicit or explicit conflicts between the Valencian Innovation Agency and the Competitiveness Agency, which continue to exist, they both had to a certain extent different remits of activity and within those can offer some form of leadership. In the Piemonte case, there was a high level of fragmentation and lack of coordination, not only across the cluster organisations, but also between them and other entities such as the start-up incubators or business associations. Piemonte furthermore had the advantage of headquartering two large foundations dedicated to a variety of innovation activities, some of them quite experimental. But once again the lack of leadership from the public sector, and the chronic problem of an inefficient bureaucracy (an Italian rather than a specifically Piemontese problem) meant that these foundations rarely engaged in public programmes, unless to get funding for their own activities. This problem was explained by the legacy of Fiat, in the opinion of one interviewee:

«Fiat as value chain manager was not a good company for this region. They managed their suppliers at arms length and never provided leadership to the innovation system. So now that they are much smaller, the suppliers who are still in the region don't have a tradition of collaboration or of working together»

Policy adviser for the regional of Piemonte

The compounded effect of these regional characteristics, is an innovation system that continue to be geared to supporting incumbents, primarily through incremental innovation, rather than encouraging experimental or creative activities that could lead to radical innovation and new entrants. This despite some efforts towards the latter, because there is a recognition among the policymakers interviewed, and some of the stakeholders, that if both regions do not attract or generate new value-added activities, they will likely remain in relative economic stagnation.

One important element of this discussion, as intimated in the previous paragraphs, is that the inability to design and implement experimental policies is only partly the fault of fragmentation or lack of institutional quality in the public sector. It is also about the lack of demand from non-state actors, especially firms, for radical innovation. This emanates on the one hand from limited technological capabilities. As often happens in regions that have weaker innovation systems, there is only a small number of firms that innovate, with some of them potentially operating at the technological frontier (Marques and Morgan, 2021b). To these firms, public resources may not even be core to their activities, due to their bureaucratic burden, and their innovation networks may have some local partners but not necessarily (Lorenzen, 2007; Marques, 2017). Most other firms, which in these two regions are overwhelmingly SMEs (with a dominance of small and micro organisations), have low technological capabilities and survive on the basis of low factor costs, informal labour practices and reactive (if any) innovation. This context limits the ability of the public sector to be proactive in the way it uses its innovation instruments, as demonstrated by one example provided by an interviewee:

«If we know that there is potential in one area, for example because there is one technology in health that we know some people are working on, and write a tender specifically to encourage an innovation project that may be more radical, I run the risk of having no one submitting a proposal. However, if I just write a general call for tender asking for R&D collaboration, then I have a bunch of projects, but they tend to be in the same stuff that we have been funding already»

Administrator at Valencian Institute for Business Competitiveness (IVACE in Spanish)

Overall, in both regions the desire for change and experimentation is conditioned by the dynamics of the public sector and by the characteristics of the stakeholders that use policy instruments.

6. COORDINATION IN THE GOVERNANCE SYSTEM

Regarding the second dimension of experimental governance, one aspect which has already been discussed in the previous section is the difficulty that these regions have to make their innovation networks more inclusive in terms of the number and type of firms that they include. However, policy coordination has other important di-

mensions. The first is coordination within the public sector itself, an issue that is heavily shaped by the quality of institutions and, concomitantly, by trust levels, both aspects that cannot be fully explained by regional dynamics only. Spain and Italy, and within them Valencia and Piemonte, exhibit high levels of fragmentation in their political system, with fractious relationships between political parties, between different departments of the same government, and between state and non state-actors. This is a common occurrence in contexts of low institutional quality (Charron *et al.*, 2021; Farole *et al.*, 2011). It is true that high quality regional institutions can work to counteract problems emanating from the national level, as has been documented for the Basque Country in Spain, or Emilia Romagna in Italy (Mosconi and D’Ingiullo, 2023; Navarro *et al.*, 2014). Nonetheless, variations in national political institutions is still the most important variable explaining variations in quality for this indicator (Charron and Lapuente, 2013), and as such their influence cannot be discarded.

In our case studies this was manifested in different ways. For example, one interviewee working for the umbrella organisation responsible for representing the interests of the technological centres (REDIT), stated that with each change in government, and occasionally even with a change of minister within the same government, the existence of this organisation was questioned. This was partly because the new political representatives tended to assume that REDIT was politically connected to the previous administration, even though their remit is not explicitly political and is confined to representing the interests of these centres. This was true even in 2015 when there a new government came in that had an explicit commitment to innovation and technological development. Another example was provided by the rivalries and occasional overlaps between the two main agencies responsible for promoting business competitiveness (AVI and IVACE), in this case due to political rivalries within the same government, as various interviewees confirmed. Such a high level of distrust creates uncertainty and makes coordination between different agencies or organisations difficult.

In Piemonte, though interviewees did not mention explicit political rivalries, similar problems of low trust were observed. For example, those who worked for the cluster organisations were adamant that they offered a variety of services to their members, including support to internationalisation activities, lobbying or promotion. Nonetheless, most interviewees who did not directly engage with the clusters argued that they were known in the region as primarily offering access to R&D subsidies and that therefore they were for ‘insiders’. This had a direct impact on the inability of the cluster organisations to attract new members and to expand their innovation networks. Though this external perception may be caused by a variety of factors, not the least by the fact that maybe the clusters did in fact specialise in facilitating access to R&D subsidies, even if their representatives stated otherwise, various interviewees argued that in their perspective they were primarily for insiders who knew the system. Another general issue was low trust due to an inefficient bureaucracy. As one representative of a local foundation said: «we only involve the

public sector when a project is already ongoing, because if we do it before the whole project never moves forward». Though a concern with bureaucracy is certainly not exclusive of Piemonte or to Italy in general, this blanket refusal to collaborate with the public sector enhances fragmentation and the lack of coordination.

Finally, innovation policy in both regions was negatively affected by their over-reliance on cohesion funds. Though some innovation instruments were supported by own resources (either from the national or regional governments), the larger share came from European resources, which are generally characterised as having complex compliance requirements (Marques and Morgan, 2021). These requirements are made worse by national and regional regulations that have been added to these programmes, in theory to help increase accountability and avoid corruption. The end result however is a system so overregulated that hinders any type of experimentation or creativity in policy, and that leads to relationships between different levels of government based on compliance, rather than a desire to coordinate actions. As one interviewee who worked for a Valencian agency argued:

«When the European money gets to Spain it already has a lot of rules attached. Then the national government squeezes a bit further with more rules, to make sure no one uses this money in the wrong way. Then the regional government squeezes a bit further and then my agency squeezes even more. So I spend my time asking for paperwork from the clients, or preparing paperwork to send to my bosses. This is worse for immaterial things like innovation. At least with infrastructure if you ask money for a bridge, you can show the bridge as evidence that you completed the project. But it's not so easy to justify person months and money for collaboration, or knowledge activities»

Administrator at Valencian Institute for Business Competitiveness (IVACE in Spanish)

In summary, the institutional context creates fragmentation within the public sector, and in the relationships between the state and non-state agents, a situation that works against greater coordination and inclusive governance arrangements. It must also be stated that both regional governments expressed an interest in improving in this regard. Piemonte asked the OECD for a review of their cluster policy, with one of the aims of this review being the identification of strategies to promote more collaboration across sectors (OECD, 2021). In Valencia, the creation of the Valencian Innovation Agency was intended to improve governance of the innovation system. Even if its creation led to a different set of problems, in terms of its relationship with the agency responsible for business competitiveness, this only demonstrates that political will is not enough to supplement institutional legacies that are hard to displace. In other words, both regions took positive steps to improve on this dimension, that is so fundamental to experimental governance, yet a lot of these efforts end up being bogged down by institutional lock-in.

7. COUNTING AND ACCOUNTABILITY VS MONITORING

One of the fundamental aspects of experimental governance, and in many ways its building block, is the creation of monitoring and learning (M&L) mechanisms that allow for the gathering of granular data that can help policymakers and stakeholders learn in real time about progress and impact. M&L should be based on a variety of indicators that allow for an appraisal of the policy as a whole (macro level), the strategies of individual organisations (meso) and the impact of specific projects (micro). In order to do so, it must avoid using standard indicators or those that merely measure outcomes, but must instead try to adapt the data gathering to the characteristics of each policy (or territory) and focus on both process and outcomes. Unfortunately, this dimension of innovation policy is often overlooked, and out two case study regions were no exception.

The reason for this neglect is in part due to the complex compliance mechanisms described in the previous section, coupled with low trust or fractious relationships between state and non state-actors. This means that there is resistance to M&L systems that may complicate even further the reporting mechanisms that already represent a bureaucratic burden. In other words, if indicators are fairly simple and standardised, those reporting the use of funds may make a straightforward claim that targets have been met and therefore that the funds have been used correctly. In contrast, a high-quality M&L system, especially one designed to capture both success and failure in order to help agents learn, would be a threat because it could lead to audits or challenges to how funds were used, by higher level authorities. For these reasons, in both Piemonte and Valencia, most reporting focuses on variables such as total spend on R&D or total number of SMEs involved, but does not deviate very much from such indicators. A second interrelated reason is that in contexts of low trust, individuals or organisations will be reluctant to share information because they may perceive the request for information as a threat or a desire to criticize, rather than as a learning mechanism. Not to mention that monitoring may be a threat to the status quo, for example if it undermines the reputation of a particular organisation or group of individuals by revealing that their contribution is below what is claimed, or otherwise, if it shows that a neglected organisation should receive more support due to the quality of its processes and outputs. This perception of data as power was highlighted by an interviewee, who had a senior political role in the Valencian government, and yet struggled to get information from their own civil servants:

«There is a lot of data but it is always the same and it tells me very little beyond the number of Master students funded, or how many patents were produced, or things like that. And if I try to get new data, for instance by asking directly for it to people working in specific services, it can take months. And frankly, I have the feeling that some of the numbers they give are pure speculation. It's just a bunch of people sitting around a table saying: 'OK this person asked us for these data six months ago, what do we say to her? Shall we say this number of that number?' And then they all agree on something without actually looking into it»

Political appointee with responsibilities in the area of Innovation for the Valencian government

Another important aspect in monitoring, and one that was observed in these two case studies, is that M&L systems can help shape not only how people learn but also how they behave (Morgan, 2018; Wolfe, 2018). Requirements on matters such as gender balance in R&D teams, the need to demonstrate an environmental contribution, or the need to involve SMEs in R&D projects, means that organisations adapt their projects or even their internal strategies, to hit the targets required. As such, the indicator used to evaluate projects have a behavioural effect and therefore they can shape how the system operates. This was obvious, for example, in the fact that SMEs were seen as key to R&D networks in both regions, in part because it is a requirement from cohesion funds that these types of companies are involved. This also means that M&L systems based on the principles of experimental monitoring are likely to be a threat to any policymaker or organisation that is primarily concerned with maintaining the status quo. As such, the role of external organisations such as the European Union or national governments can be key to bring about this change, provided that these institutions are truly committed to such change.

8. CONCLUSIONS

This paper has contributed to the growing body of literature which argues that high quality institutions are fundamental to improve the outcomes from regional policy (Rodríguez-Pose, 2020). It has done so by reviewing some of the main authors and frameworks that have participated in this debate and then focused on the specific example of experimental governance (Sabel and Zeitlin, 2012). It has argued that the three main pillars of this concept provide a clear framework for any policymaker seeking to improve institutional outcomes in their own region. However, it has also sought to look at this concept critically by identifying the challenges of implementing it in territories with lower institutional quality. It has argued that even when there is political commitment, institutional legacies and path dependencies are likely to hinder change (Weible and Sabatier, 2017).

The most important contribution of this paper, one that has remained somewhat implicit rather than explicit, is that any set of guidelines that aim to improve an institutional context must be aware of the practicalities and realities of institutions and the policy processes that they enable (Marques and Morgan, 2021). When a framework for action is based on best practice, or on the ideal-type principles of how a high-quality institutional environment works but fails to understand why and how institutional legacies persist, it is doomed to fail or at least fall short of its promise. A framework for action that is feasible must instead be based on the actual characteristics of territories with weak institutions, and identify the areas or types of action that can realistically be implemented and start a process of change (Grindle, 2011).

This is particularly true in a context where more is now expected of innovation policy. Building on the notion of innovation directionality (Bell, 2009) and driven by authors such as Mazzucato (2021), there is a growing expectation that innovation

activities actively should contribute to solving major societal challenges such as climate change. This implies, among other factors, governance systems that can shape the behaviour of organisations in order to push them to seek experimental and risky solutions to wicked problems. Experimental governance is precisely the type of approach that seeks to achieve this. However, more research is needed to understand how institutions can be realigned towards this aims, especially in less developed regions, which tend to be most exposed to the negative effects of these challenges.

Finally, as stated in the introduction to this paper, the view that institutions are the key variable explaining socio-economic outcomes is one among competing perspectives. One of the challenges made to this view is that the direction of causality is wrong and that it is in fact growth that leads to institutional improvements, or that at the very least they co-evolve (Chang, 2011). Standing obliquely to these debates, is the perspective that growth can happen in contexts of low institutional quality, especially if we understand the latter to include elements of transparency, low corruption, and democracy, as illustrated by China and other countries (Milanovic, 2019). It falls outside the remit of this paper to solve these conundrums, but what we can take from them is that institutional quality may well not be the silver bullet that solves all the problems of less developed regions. Rather, 'old fashioned' industrial policy and other forms of effective support are necessary and for these to be effectively implemented, some level of national support is necessary (Juhász *et al.*, 2023). The danger of the institutions-first agenda is that once again we 'blame the victim' for its suffering and forget that it is the duty of regions, the nation state and supra-national institutions such as the EU to ensure territorial cohesion and equality.

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APPENDICES

Table 1. **LIST OF ORGANISATIONS AND NUMBER OF INTERVIEWEES IN THE VALENCIAN REGION**

Number of interviewees per organisation	Organisation	Type of organisation
7	REDIT	Non profit representing technological centres
1	INGENIO, Spanish National Research Council	Research organisation
1	CEV - Confederation of Valencian Business	Chamber of commerce for the region of Valencia
2	AVI - Valencian Innovation Agency	Government agency
1	Polytechnic University of Valencia and RUVID - Network of Valencian Universities	University + Non profit association representing Universities in the region of Valencia
1	Directorate General for Innovation	Government department for the region of Valencia
8	AINIA - Agro Food Technological Institute	Technological Institute
6	ITE - Energy Technological Institute	Technological Institute
8	ITC - Ceramics Technological Institute	Technological Institute
8	AIMPLAS - Technological Institute of Plastics	Technological Institute
7	IBV - Biomechanics Technological Institute	Technological Institute
6	AIDIMME - Metalworking, Furniture, Wood, Packing and Others Technological Institute	Technological Institute
5	INESCOP - Shoemaking Technological Centre	Technological Institute
5	ITI - Computer Engineering Technological Centre	Technological Institute
8	AIJU - Toys and Leisure Technological Centre	Technological Institute

Table 2. LIST OF ORGANISATIONS AND NUMBER OF INTERVIEWEES IN THE PIEMONTE REGION

Number of interviewees per organisation	Organisation	Type of organisation
1	ANCI	ANCI: municipalities
1	Unioncamere	Association of Chamber of Commerce
2	API	Association of SMEs (manufacturing/ industry)
15	Polo Cgreen, Polo Clever, Polo Agrifood, Polo ICT, Polo Mesap, Polo Pointex	Cluster Organisation
1	CIM4.0	of manufacturing companies towards
13	Competitività, Coordinamento fondi, Ambiente, FSE	Various regional government departments in charge of competitiveness; programming/coordination EU funds; Environment; Education, training and labour
3	Compagnia di SanPaolo, Fondazione CRT	Private foundations established by local banks
6	<i>ITS Biotecnologie, ITS Energia, ITS Agroalimentare, ITS ICT, ITS Aerospazio, ITS Textile</i>	Higher Technical Institutes
1	SocialFare	Incubator/accelerator on social innovation
6	Confindustria	Main industrial Association
1	Unito/Pilot Action expert	Policy expert
7	CEIP	Regional agency for internationalization and attracting FDI
3	Finpiemonte	Regional agency supporting economic development policies and managing funding schemes
4	Regione	Regional government
6	IRES Piemonte	Research organisation
5	Rete Imprese Italia	Trade and handcrafts associations
4	CGIL, USIL, UIL Piemonte	Trade Unions
1	UNCEM	UNCEM: mountain areas
5	Politecnico di Torino, Univ de Torino, Univ. Piemonte Orientale	Universities
3	I3p, 2i3t, Enne3	University Incubators
3	Alleanza Cooperative Piemonte	Cooperatives associations