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# Development and Cohesion Policies in Italy: a Narrative Approach. Knowledge, Leadership, and Innovative Actions Through Individual Stories

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## Abstract

During the last ten, thirteen years a range of new development policies for less developed areas was set up in Italy, both at a national and at a regional level, also under the boost of European policies. In those period of time in which the public policies for local development has been absolutely crucial in the public debate, several programs, publications, projects, conferences have been produced, but today the topic of local, territorial development seems to be neglected and evaluations concerning the experiences are not at all positive.

This paper argues that maybe, the dissatisfaction mentioned above grows up from an abstract approach. This approach, strictly rooted in economics and law studies, crosses both policy making and technical arguments. Thus, the problem is not a wickness of the issue. It is the approach assumed until now that seems to be fuzzy. Therefore, some questions are still largely unaddressed. This paper suggests a different point of view through an exploration in individual stories of "special" actors involved in development policies and projects. These actors are important also because they have intersected crucial development policies cycles.

Starting from a wider research (Armondi, 2008), in this paper the key point is to verify how individual actors leave marks in institutional building processes, in policy making and in development projects. In this paper the emphasis is on the frames in which problems are conceptualized, on the meanings

attributed to the development policies by different selected actors (a national policy maker, a mayor, a local development agency manager, a scholar, etc.), on the dissimilar forms of knowledge and culture, on regional and local practices and action systems.

The paper recognizes, in particular, the decisive role of individual actors investigated from two important scholars: Albert O. Hirschman and Joseph A. Schumpeter. The paper is focused on an explicit interest to a narrative approach, thus stories are not empirically examined by case studies methodology.

What can we learn through governance? Biographical itineraries are idiosyncratic contexts of learning, sensemaking, and enactment. Actors depict dilemmas. In their stories, they define new dictionaries, multiple knowledge, innovative actions, and skills. They provide to establish priorities, to suggest dissimilar forms of leadership. Considering the crucial relevance of biographies and of "new" governance could contribute to accept ambiguity and variety rather than demand certainty in development studies and to enhance the effectiveness of policy design.

## 1. Materials and Theoretical Frameworks. An Overview of Concepts

Mainly three broad perspectives in academic literature have been illustrated the relevance of a research funded on biographies and on a narrative approach. The first context refers to the organizational studies focused on storytelling (Czarniawska, 1992; 1997; 1998; 1999), enactment and sensemaking (Weick, 1995). The second is the north american field of policy research. In this last context many scholars have been offered many insight into narrative storytelling frame with regard to public policy analysis (Stone, 1989; Rose, 1993; Roe, 1994; Fischer, 2003). Furthermore, planning theory branch's emphasized the ordinary stories of planners (Krumholz and Forester 1990; Forester and Chu, 1990). The third context is recent a research activity into the Tropics literature. On one hand, there are stories of development projects illustrated by international top down institutions (World Bank, 2002). On the other hand, there is a particular heterodoxal reflections critical about development assistance – which promoted by national and international institutions (e. g. World Bank and International Monetary Fund) to achieve economic development in poor countries (Easterly 2001, 2006).

Whithin policy analysis generally, narrative analysis is most closely aligned with problem-definition and problem-setting. A number of research has made clear not only the subjective and conflictual character of problem-definition (Fischer, 2003), but even more specifically the key role of language and narrative stories in the negotiations of such definitions. But the focus on narrative analysis of stories should not be confined to the study of problem definition. If we start from a definition of development projects as “fabulations” (Hillier, 2007), storytelling has an important role to play in the analysis of the policy cycle as a whole, in particular implementation and evaluation.

Starting from two of the most interesting reflections on economics and on development theory – the seminal works developed by Joseph A. Schumpeter and Albert O. Hirschman – in this paper I would like to stress the crucial role of individual stories in development process

In the textbook *The Theory of Economic Development* (first edition in 1911), with the word “development” Schumpeter means “only shifts of economic life that are not determined by external factors”. In contrast to the stationary processes of the circular flow, Schumpeter's concept of economic development (chapter 2) has three salient characteristics: it comes from within the economic system and is not merely an adaptation to change in external data; it occurs discontinuously to changes in external data; it brings qualitative changes or *revolutions which fundamentally displace old equilibria* and create radically new conditions. Economic development is accompanied by growth. But mere quantitative growth does not constitute development. Schumpeter argued that an answer could not be achieved in terms of an equilibrium theory, as such a theory describes a development that “contains nothing, which suggests the possibility of development *intrinsically generated from within itself*”.

The linchpin of economic development, according to Schumpeter, is innovation or “the carrying out of new combinations”, is *ars combinatoria*. Innovation is the putting into practice of the new ideas by entrepreneurs. Thus, in Schumpeterian hypothesis, the carrying out of new combinations is a unique achievement which only “entrepreneurs” are able to accomplish where, contrary to the usual definition, being an “entrepreneur” is not denoting an occupation or a profession (and even less capital ownership), but rather denotes a capacity or function. Entrepreneurship is broader than business management. The characteristic attitudes of such entrepreneurs are claimed to be initiative, authority, imaginative foresight, leadership, best personified by the figure of a “promoter”.

Considerable emphasis is given in *The Theory of Economic Development* to the explanation of the entrepreneur's motivation and to the key concept of *leadership*. It is underlined that conditions in the circular flow are such that carrying out the new combinations meets serious obstacles and many forms of resistance. Only the most gifted entrepreneurs, the *pioneers* and the *leaders* are able to overcome these.

In brief, according to Schumpeter, we underline a list of skills and attitudes of an entrepreneur in a development process:

1. Designing equilibrium disturbances;
2. Experimenting new combinations, combining things and resources in an innovative way;
3. Novelty and innovative actions building;
4. Leadership capacity. This skill is articulated in: achievement motivation; reaction to difficulties and to unexpected consequences; vision building; leadership versus routine; leadership versus management.

The research examines two Hirschman's textbooks, *Development projects observed* (1967) and *A Bias for Hope. Essays on Development and Latin America* (1971). Hirschman looked at the social and cultural environment in which development projects come to be embedded. First and principally, it should go far in explaining and

anticipating successes and failure of projects, systematic veerings from pre-assigned paths, propensities toward specific difficulties, as well as opportunities for special payoffs.

Secondly and more ambitiously, the analysis of likely behavior of projects possessed different structural characteristics inevitably leads on the viewing the development experience of a country as importantly influenced by the kind of projects it finds – or places – in its path. Hirschman pointed up that “such a view stresses the importance for development of what a country *does*, and of what it *becomes* as a result of what it does, and thereby contests the primacy of what it is, of its geography-and-history-determined endowment with natural resources, values, institutions, social and political structure, etc.” (1967; p. 4-5),

In this way Hirschman indirectly, focused his attention on actors who realize development projects. Such a perspective stresses the relevance for the development of what an actor does, and of what he (or she) becomes as a result of what he (or she) does, and contest the primacy of what he (she) is, the pre-determined role or task that he (she) carry out.

In the first chapter of the textbook *Development projects Observed* “The Principle of Hiding Hand”, Hirschman points out two type of actions. He tells that underestimating the costs or difficulties – or overestimating the benefits – of a development project has on occasion been helpful in eliciting creative energies that otherwise might never have been forthcoming.

The relationship among individual stories and development processes, in Hirschmanian hypothesis, could be reinterpreted through three key-words referred to development processes: rareness, uncertainty, and possibility.

The first issue explored by Hirschman is *rareness*. There is a frequent misunderstanding in the development policy design: it assumed that development processes are rare and idiosyncratic because they depend only by territorial specificity, but it could be more useful consider the specificity of the projects, the concept of development of a strategy.

The second issue highlighted in Hirschmanian hypothesis is *uncertainty*. If we consider diverse development projects, only in part their trajectories depend on formal processes and tasks. Development projects are processes developed *in action*.

The third issue pointed up is the conditions of *possibility* for development projects. If we explore development policy such as social practices and not such as functions and ex ante procedures, the rigid classification of hierarchical functions and formal roles (e.g. managers, regional civil servant, mayors, councillors, scholars, experts, ect.) doesn't work at all. Another typology is needed, a set in which tasks and skills are elaborated not only beginning from a particular background, but *in action*.

Furthermore, leadership is a key capacity also for Hirschman. This aspect is underlined in *A Bias for Hope*. Hirschman anticipated leadership literature in which the concept of leadership is a social and relational task, a shared mission and leader is a sensemaker in development processes (Weick, 1995). Also in the planning field a great emphasis being placed on city leadership (Hambleton and Gross, 2007).

Starting from the issues underlined by Albert Hirschman, another cluster of skill:

1. Underestimating difficulty and risks;
2. Overestimating benefits;
3. Dealing with the context;
4. Modifying existing conditions;
5. Dealing with dissonances;
6. Leadership as capacity to deal with shifting involvements. Leadership also required: skills and charisma.

#### 4. Development and Cohesion Policies in Italy. Sequences, Features, and Weaknesses

Starting from the '90 of the last century, this paper sets out a framework to a better understanding of Italian development policies cycle. Actually, it is possible to recognize six crucial phases in the Italian development policies. These phases, in Table I, indicate different vibrant experimental attempts. Moreover, I should also underline that the ways in which development issues and problems are defined and conceptualised have important implications for both the manner and means by which they are addressed. The conceptualisation and definition of development problems frequently develops out of, often largely unstated, ideological and political positions (Atkinson, 2007).

**Table I: Italian development policies. The life cycle**

Periods	Phases	Policy
1990-1993	Break-up and Junction	End of Cassa for the Southern Italy and first top down negotiations.
1993-1996	Shaping	Hatching national development policy and first bottom up territorial Pacts.
1996-2001	Maturity	Leading role played by national policy and top down territorial pacts.
1998-2006	Rootedness and Redoubling	Inauguration of the regional development policy and opening europeanization.
2006-2008	Stand-by	End of EU Structural Fund cycle 2002-2006 and uncertainty of New Programming.

*Break-up and Junction* (1990-1993). This period is marked by the end of the national massive public investment for the Southern Italy known as “Cassa per il Mezzogiorno” – a top down, long-term institution, in spite of its “extraordinary” nature, created at end of the second world war. The term “The Mezzogiorno” refers to the whole territory of Southern Italy. That planned institution imposed solutions in different territories of Southern Italy to get them out of the “poverty trap”. Although the problems persist, the end occurrence opens new unexpected possibilities for bottom up experiences in development projects.

*Shaping* (1993-1996). In this stage emerges a new role of Cnel (a central advisory Committee on economy and labour) thanks to its chief, Giuseppe De Rita. Cnel has been supported bottom up actions and experimentations of first territorial Pacts in southern regions, funded on local partnerships, when they had not still a legal recognition. Together with Program Agreements and Program Contracts, the first generation of Territorial Pacts represent innovative tools of the forthcoming territorial Negotiated Programming. On the one hand, with two new laws, mayors became protagonists of that stage, through the reform of the direct election (L. 142/1990 and L. 81/1993). On the other hand, the legitimation of mayors as new civic leaders, has been endorsed by emerging local actors, totally atypical in the Italian context: local development agencies.

*Maturity*. (1996-2001). This third phase is featured by the full institutionalization, at national level, of the Negotiated Programming (L. 662/1996). The Ministry of Treasury became the central authority for the management of negotiated programming of EU Structural Funds. The main actor of the “New Programming” for the development will be a new department sets up inside that Ministry: the Department of Development Policies and Cohesion (DPS, 1998; 2000; 2003; 2004; 2005; 2007). Its head was Fabrizio Barca. According to EU Structural Funds regulation it is up to each State to draw up a Plan for the use of these funds. The drawing up of the plan provided an opportunity to initiate a new regional policy for the Mezzogiorno. It offered a way to enact at once a completely new set of principles. The task of writing the plan was assumed by the Department of Development and Cohesion Policies. Drawing up the Plan took 18 months of technical and political negotiation between the central state, regions, municipalities and social partners. The negotiation itself was a way to experiment and refine a new interactive approach between local and central powers. It was also the way to devise, through a consensus-building process, the governance structure of the Plan, the allocation of responsibilities and the checks and balances on which its success depends. It was approved by the EU in July 2000 (Barca, 2001).

Furthermore, this period is marked by boost of administrative renewal and reform: “Bassanini” laws, focused on subsidiarity, are representative of this direction.

*Rootedness and redoubling* (1998-2006). Through this new stage, with regard to territorial and cohesion policies, we found a robust impulse to regionalization process. This subsidiarity process had some bearing especially on passage of 5th Title of Italian Constitution. A decree of Cipe (Interministerial Committee for Economic Programming) formalized the role of regions as new linchpins of local development, especially through Communitarian Support Framework 2000-2006. Regional Programmes (POR and DocUP) rewrote rules for integrated projects and local partnerships. Meanwhile European policies has become to refer to an ‘explicit’ urban policies, so urban problems started to figure on the policy agenda. The point is that distinctly European and national developments can have important spatial impacts and implications (both positive and negative) for cities and city regions (Atkinson, 2007). In this sense, communitarian regional policy, following Structural Fund reform (1988), through which started the Urban Programme is very significant.

*Stand-by* (2006-2008). Starting from 2005 there is an attenuation of vivacity of integrated projects, and of lively animation and actions promoted by new programming. In the phase opening in 2007 the development policy tools became subject of policy making debate of two opposite interpretations of development. On the one hand, the position of who underlined the failure of integrated projects linked with local partnership in new Programming and Negotiated Programming in Southern Italy. This interpretation give prominence only to direct incentives for enterprises. The idea is to use incentives in order to create artificial agglomerations, relying on the fact that, once they are set into motion, agglomerations can become self-sustainable thanks to the externalities

they develop, so that incentives can later be removed. (Rossi, 2005). On the other hand, the other approach is focused on governance, and locally scattered knowledge. It refers to the horizontal and vertical coordination between the various organisations involved in development. Clearly these are the areas deemed to require 'special' forms of intervention, usually in the form of area-based initiatives (integrated territorial projects) (Barca, 2001). In this view incentives policies aimed at compensating accumulated disadvantages via incentives and creating artificial agglomerations, are bound to degenerate into rent shifting wars, with no effect on total welfare.

These two opposite views remark two classical links in literature about the role of enterprises with regard to economic growth (for the first see Hirschman, 1958, for the second see Perroux, 1961).

## 5. Why Do Individual Actors Matter? Lessons from Stories for the Policy

The knowledge-based society concept is becoming a key reference for the European Union Institution, also in its development policies. One of the most important concepts used in the knowledge society literature is the concept of learning that has travelled across different disciplines and acquired different meanings in the process.

This paper raises doubt about traditional categories of analysis and interpretation – knowledge, skills, rationality, rules, roles, boundaries – used in mainstream development governmental policy. The research detected a significant intersection. These categories are very similar with categories of the traditional omnicomprehensive hierarchical planning. According with Stehr (2000) and Moulaert and Gonzales (2006) we consider knowledge as a “multifaceted resource and capacity for action” and as such he argues that the materialization and implementation of knowledge is open, dependent or embedded in the context of specific social, economic and intellectual conditions. So our research – following particularly Easterly's studies concerning development foreign aid – is focused on *searchers*, rather than *planners*. In foreign aid for poor countries in the Tropics, Easterly distinguishes planners from searchers: “Planners announce good intentions but do not motivate anyone to carry them out; searchers find things that work and get some reward. Planners raise expectations but take no responsibility for meeting them; searchers accept responsibility for their actions. Planners determine what to supply; searchers find out what is in demand. Planners apply global blueprints; searchers adapt to local conditions. Planners at the top lack knowledge of the bottom, searchers find out what the reality is at the bottom. Planners never hear whether the plan got what they needed, searchers find out if the customer is satisfied. A planner (...) thinks of poverty as a technical engineering problem that his answers will solve. A searcher admits he does not know the answer in advance; he believes that poverty is a complicated tangle of political, social, historical, institutional, and technological factors” (2006; p. 3-4).

Individual stories address important lessons for policy design activity. The traditional skills emphasized by administrative culture and new public management – planning, organizing, staffing, directing, coordinating, reporting, and budgeting – are not enough.

These actors find answers to individual problems by trial and error experimentation. The directions are diverse, but this paper goes into detail only a few, in particular the field of innovative actions.

The paper attempts to intersect the skills-sets introduced by the contributions of Albert O. Hirschman and Joseph A. Schumpeter, with the diverse individual stories trajectories of actors involved in Italian development processes. The research has interpreted nine biographies. A biography of two scholars. They have intersected development policies cycle in different ways. A biography of two managers and an operator, protagonists of Italian development policies. A biography of a regional civil servant. She designed and implemented the Objective 2 regional development policy in Lombardy region. A biography of a mayor and of a councillor, each one involved in different neighbourhood-based urban policy. These two policy-makers have had to adapt existing policies, and in some instances develop new ones, to face up to the realities of increasingly heterogeneous small cities.

The paper goes into detail only two results derived from two biographies.

*Equilibria disturbances.* When “Cassa per il Mezzogiorno” closed down, Giuseppe De Rita, such as a Schumpeterian leader and through an innovative action of Cnel, invented territorial Pacts. They were tools never experimented before in Italy. Giuseppe De Rita was an innovator, he activated new ways of development actions. In Italy, for the first time, national development policies focused on the issues of community participation/engagement and on the local partnerships and coalitions. Consequently, the public, private, voluntary and community sectors, became central for the elaboration and implementation of local integrated projects.

Fabrizio Barca, through his schumpeterian attempt, has linked with both central institution redesign and new rules. Furthermore, policies aimed at this target include modernisation of local administrations, institution building, strategic integrated planning in urban and rural areas, promotion of knowledge networks and innovation capacities.

*Inverted sequences.* Giuseppe De Rita modified sensemaking contexts in the experience of Territorial Pacts, he inverted a relevant sequence. De Rita puts in the “centre” the local level, reversing the ordinary sequence of national policies and aid that “Cassa per il Mezzogiorno” managed in the past (Bonomi and De Rita, 1998).

Fabrizio Barca was the head of Department of Development and Cohesion Policy at the Ministry of Treasury. Inverted sequences in the Fabrizio Barca biography’s are diverse. The first: Barca, through New Programming promoted by DPS, has conducted Southern Italy to get away from Northern Italy.

Particularly, Department of Development and Cohesion had important aims, following schumpeterian “creative destruction” model. On one hand *modernisation of local administrations*, with the introduction of accountable procedures for the selection of local projects, so as to create an incentive for firms in the agglomerations to pool their knowledge together and to lobby transparently by means of local associations to enact public projects which enhance their profitability (as is the case in the Mezzogiorno Plan of setting reward criteria for integrated projects complying with given requisites; or of creating regional evaluation units).

On the other hand, *institution building*, not in a hierarchical perspective, whereby private and public local actors are encouraged to come together and to contribute to the design of projects (as is the case in the Mezzogiorno Plan of only partly successful territorial pacts).

So, Southern Italy did not bind along to the path designed by Northern Italy. In this way, following the hiding hand principle, Southern Italy attempts to rout the “poverty trap”, to unlock prerequisites, and to sidestep expected risks.

Second: Fabrizio Barca inverted the ordinary sequence, in which there are in first instance enterprises and, only after, the modernization of the State and of the public administration.

## 6. Future Directions: Learning through “New” Governance

In conclusion, this paper suggests that our understanding of knowledge and skills depends very much on current conceptions of the nature of development projects in relation to changing systems of governance.

Growth depends upon the interaction of opportunities and choices. A country, or an entire region like Southern Italy, may fail to grow either because there are no opportunities, or because choices are made that preclude opportunities being taken (Collier and O’Connell, 2006). However, single stories matter for development processes, because these processes are always *context specific*. In this view, development policy making calls for a shift in the focus or the “unit of analysis”. It will need, for the future, to focus both on the individuals and on tools of public action.

First, as a recent study on Tropics by Easterly (2002, 2006a) showed, aid and development programming can still do much good for the poor, but only when *individual* aid agents have the incentive to deliver tangible services for which they can be held accountable. The bad incentives created by top-down planning, collective responsibility, and multiple goals can be replaced by individual accountability for aid agents, based upon independent evaluation of aid outcomes, which will motivate a search for what works in the field under the varied circumstances of each time and place.

The planners’ approach led to collective responsibility for multiple goals for each agency, one of the worst incentive systems invented. The planning agenda also led to an unproductive focus on trying to change whole political systems and governments. The status quo large international bureaucracies giving aid to large national government bureaucracies is not getting money to the poor. Conditions on aid do not work to change government behavior. Easterly concludes “Searching can work in foreign aid by following some simple maxims: experiment, evaluate, and learn” (2006b; p. 32).

Second, following new governance paradigm described by Salamon (2002), we can observe that in Italian development policies cycle occurred a wave of considerable governmental reform that has swept Italy over the past decades. Also in other countries, Salamon pointed up “governments are being reinvented, downsized, privatized, devolved, decentralized, deregulated, de-layered, subjected to performance measurement, and contracted out, all in an effort to improve public sector performance” (2004; p. 2). Thus, the United Nations Development Programme noted in a report, “The question is no longer how to shrink government, but how to



improve governance” (1997; p. 1). The central challenge, Salamon suggested, is learning how to comprehend, and to manage, the reinvented government that we have created, how to design and manage the immensely complex collaborative systems – in which different kind of actors played – that now form the core of public problem-solving, and that seem likely to do so increasingly in the years ahead. For the actors there are problems of management, of new knowledge, of skills: “each of the different ‘tools’ of public action has its own decision rules, its own rhythms, its own agents, its own management requirements, and its own challenges. (...) A tool, or instrument, of public action for these purposes is *an identifiable method through which collective action is structured to address a public problem*” (2002; p. 1-19).

What are types of knowledge mobilized in this perspective? Following Salamon (2002; 2004), more specifically, three types of knowledge are still needed:

- First, *tool knowledge*, i.e., knowledge about the distinctive characteristics and likely consequences of the various tools (direct and indirect, e.g. direct government, grant, contracting, loan, insurance, social regulation, fees, vouchers, etc.) now in widespread use. Most public administration training remains focused only on the tool of direct government. Each tool has its own distinctive features, skill requirements, action proceeds.
- Second, *design knowledge*, this is *context specific knowledge*, knowledge about which tool is appropriate under which circumstance. The tools approach thus differs from some of the more ideological approaches to public sector reform that have surfaced in recent years, which assume that particular tools, such as privatization, constitute the key to effective government.
- Third, and *operating knowledge*, this is *knowledge in action*, knowledge of how to operate the different tools. As stories of actors have argued, management under the new governance of development is different enterprise from that embodied in traditional public administration. Both traditional public administration and the “new public management” emphasize essentially *management skills*, the skills required to manipulate and control large numbers of people arrayed hierarchically in bureaucratic organizations. But from individual stories in development processes emerged different skills.

Unlike both traditional public administration and the new public management, operating knowledge in “new governance” shifts the emphasis from management skills and the control of large bureaucratic organizations to *enablement skills*, the skills required to engage partners arrayed horizontally and vertically in multiple networks, to bring heterogeneous stakeholders together for a common aim in a situation of interdependence. Furthermore, the skills required are *performance oriented* (Hillier, 2007), because they are open to unexpected consequences, to multiple possibilities for problem-solving.

Three rather different skills thus move into the center of attention as a consequence of this shift (Lindblom, 1965; Weick, 1995; Salamon 2004): first, *activation skills* and *enactment skills*, the skills required to activate the networks of actors increasingly involved to address public problems. These actors include different units of government, but also private nonprofit organizations, private businesses, and, increasingly, citizens and community groups. Various tools require the cooperation of such players, but sometimes fail to offer enough incentives to get them involved. Second, the new governance requires *orchestration* and *leadership skills*, the ability not only to create a network, but to operate and sustain it. What is needed to be effective is not simply command and control, but also the intangibles of knowledge, leadership, vision, persuasiveness. This role, too, is hardly an exclusively governmental one. Finally, the new governance requires *modulation skills* and *mutual adjustment skills*, the ability to adjust the rewards and penalties in order to elicit the cooperative behavior required from the interdependent players in a complex tool network, the ability to overcome regulatory unreasonable through the exercise of appropriate discretion (Bardach and Kagan, 1982). In any case, these skills can’t being definitively acquired once for all, because contexts and conditions change over time, they are “in-becoming”. What is needed are *temporary skills*.

The development of a country is still an open question and an immense challenge. This paper is only an attempt to start on diverse task: to cumulate a body of knowledge focused both on the actors involved and on the tools of action used to address development problems, to underline the different skills and actions required in the handling of public problems, and to improve the design and management of Italian development policy making through a narrative approach, by which draw up an “atlas” of policy makers’ profiles and skills.

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