

**A Capabilities Approach to Local and Regional Development
in Europe**

Evidence from Alentejo, Portugal

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ABSTRACT

This thesis examines the potential of the Capabilities Approach for the study and practice of local and regional development in Europe. It is based on the work of Amartya Sen, the Nobel Prize winning economist who has applied the approach most notably in the field of Development Studies. Sen argues that expanding people's freedom to live a life they value is the principal means and end of development, a conceptual position that helps to fill a void in the current literature in Regional Studies. His focus on the expansion of freedoms (capabilities) is extended to the context of local and regional development: It is shown that Sen's five "instrumental freedoms" can be used as a method for development and his "intrinsic freedoms" form a better framework to evaluate progress than traditional indicators. The goal of regional development should be to allow as many people to live a life they value in the largest number of places, not merely a rise in individual utility.

Following Sen's call for vigorous enquiry into how capabilities are experienced, the thesis draws on empirical fieldwork from the Portuguese region of Alentejo. It explores how geography affects capabilities and identifies a number of social, physical and scalar factors. Moreover it shows how these factors interact in particular places. Together with the finding that collective capabilities can largely determine individual capabilities, the notion of 'net regional capabilities' is elaborated. Yet, this is a sum of capabilities and a second crucial factor is how they are distributed *within* a region. Indeed, Alentejo demonstrates a strong heterogeneity in relation to the distribution of capabilities.

As Evans suggests, Sen's work is promising because of what it fails to answer as much as the groundbreaking framework that it develops and in this respect the thesis highlights several missing aspects to the Capabilities Approach. Based on the observation that individual capabilities often depend on collective action, it agrees with Corbridge that Sen underestimates the role of power and inevitability of conflict. It also finds that gains in individual capabilities do not always increase the overall sum; in other words there are trade-offs that have to be addressed in development dilemmas.

The main contributions of this thesis are thus to adapt the Capabilities Approach to Regional Studies and add to Sen's work through the consideration of geography as an important influence on capabilities.

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GLOSSARY OF PORTUGUESE NAMES AND TERMS

Autarquais locais	Local and parish authorities
Alentejo Central	Central Alentejo (sub-region, NUTS III level)
Alentejo Litoral	Coastal Alentejo (sub-region, NUTS III level)
Alto Alentejo	Upper Alentejo (sub-region, NUTS III level)
Baixo Alentejo	Lower Alentejo (sub-region, NUTS III level)
Câmara	Town Hall
Casa do Povo	Community centre
Comissão de Coordenação e Desenvolvimento Regional (CCDR)	Commissions for Regional Cooperation and Development
Conselho	Municipal Council
Distrito	Administrative District
Estado Novo	The period of dictatorship in Portugal from 1926-1974
Freguesia	Parish
Presidente da Câmara	Mayor

CHAPTER ONE:

INTRODUCTION - RETHINKING 'DEVELOPMENT'

1.1 Preamble

For some time there has been a broad consensus among both academics and policy makers about how regional inequalities should be tackled. In short, this view places emphasis on improving the 'capacity' of regions to improve the supply of goods and services in the context of a global economy. It marks a shift from traditional redistributive regional policies to growth orientated approaches. Further, with the rise in importance of non-economic issues particularly the environment, localities and regions have been encouraged to assume an active role in tackling these new challenges. For example, *Europe 2020* which is the European Union's (EU) current strategy to guide its overall development¹ states that "Economic, social and territorial cohesion will remain at the heart of the Europe 2020 strategy to ensure that all energies and capacities are mobilised and focused on the pursuit of the strategy's priorities" (European Commission, 2010).

The rationale behind what can be described as the paradigm of endogenous development has indeed been convincing. However, it leaves open two important questions:

- Firstly, it does not reflect upon the ultimate aim of development: It has been assumed that economic growth is the main goal, measured by indicators such as Gross Domestic Product (GDP), despite the acknowledged importance of other social and economic objectives. Even then, economic growth of a defined territory such as the EU's NUTS² regions does not show how wealth is distributed within this space. This shortcoming has been summarised by Pike et al (2007) in posing the question "*What kind of regional development and for whom*"?

¹ Europe 2020 is the second major strategy document of the EU replacing the previous Lisbon strategy which guided the Union between 2000 and 2010. It was written by the European Commission and approved by the European Council in June 2010.

² NUTS is the unit used by the statistical office of the EU, standing for *Nomenclature d'Unités Territoriales Statistiques* (common nomenclature of territorial units for statistics).

- Secondly but in relation, it does not fully explore the local context which allows different capacities to be converted into outcomes that have real meaning and benefit to those who live in particular places. It may be that capacity exists – indeed the ontology behind the endogenous thesis is that all places have individual strengths that should be given ‘added value’. However, there is no methodological approach to guide and inform this process.

Given these unanswered questions that have emerged in the discipline of Regional Studies, it is useful to look elsewhere within the wider social sciences for inspiration. This thesis analyses the potential of the Capabilities Approach (CA) to provide cross fertilization. Its origins lie in Political Philosophy and Welfare Economics but the approach has been used most notably in Development Studies. Capabilities are defined as “the ability of human beings to lead lives they have reason to value and to enhance the substantive choices they have” (Sen, 1997, 1959-1960). Its principal adherent is the economist Amartya Sen whose work has shaped and inspired this thesis. In his seminal book *Development as Freedom* (2001), Sen argues that expanding capabilities or what he terms ‘freedoms’ is “both the primary end and the principal means of development” (Sen, 2001, xii). In other words the CA is simultaneously an evaluative framework and a method of development, two functions that could help to answer the open questions posed above. It is therefore not surprising that several scholars of local and regional development have recently made references to the approach (see inter-alia Morgan, 2004, Perrons, 2011, Pike et al., 2007, Tomaney et al., 2010).

Aspects of the CA have also been explored by policy makers albeit largely in rhetoric and from a national perspective. In 2008 French President Nicholas Sarkozy commissioned a panel of renowned international academics to consider how progress should be measured in societies, a panel which included Sen himself. They proposed ways to measure quality of life as well as social and environmental sustainability. The UK government in turn has asked the Office for National Statistics to carry out a household survey measuring general wellbeing³. These measurements are more advanced in other countries, notably Canada where an index created at the University of

³ At the same time one MP has proposed a motion in the House of Commons that “promoting happiness and well-being is a legitimate and important goal of government”. See <http://www.bbc.co.uk/news/uk-politics-11756049> for more details.

Waterloo has been quoted by leading politicians and policy makers⁴. Furthermore, the recent recession in many countries caused by the global financial crisis has forced governments to rethink the goals of economic policy, summarised by the headlines of the EU 2020 strategy ‘for smart, sustainable and inclusive growth’. However, recognising the need for enlarging the definition and measurement of development may be the easy part; how these new targets can be achieved is less clear. This was revealed recently by a UK government spokesperson when commenting about the government’s interest in wellbeing:

“There is a huge literature on this issue and it's something that the Prime Minister spoke about in opposition and it's something this government says it is going to look at. But as to precisely what we are going to do and when we are going to do it, you should wait and see”. (Downing Street Spokesman, November 2010)⁵

In addition to widening the definition of progress, the CA also offers a method of development but the details are less clear, especially at the local and regional level where there has been very little work⁶. There is a real need to analyse how geography affects capabilities. This is because the economic presumptions on which it is based cannot apply equally over space when there are different physical constraints, sociological contexts and local politics involved. The governance of local development in particular is crucial in determining how capacities can be converted into valued outcomes. An understanding of these geographically determined factors would allow the approach to be operationalised as a method of local and regional development. The main contribution of this thesis is to analyse how geography affects capabilities in order to make the approach useful for academics and regional development practitioners alike.

At the beginning of the research project it was decided that this contribution could not be made without the use of empirical evidence and therefore a case study was chosen in order to analyse concretely how geography affects capabilities. The region of Alentejo in Portugal was chosen because its characteristics were deemed to facilitate the collection of pertinent evidence (though in theory any locality or region in Europe could have been used). Located on Europe’s South Western periphery, Alentejo has followed a history of dependent development and has been unable to convert its resources into

⁴ For more information about the Canadian Index of Wellbeing, see <http://www.ciw.ca>.

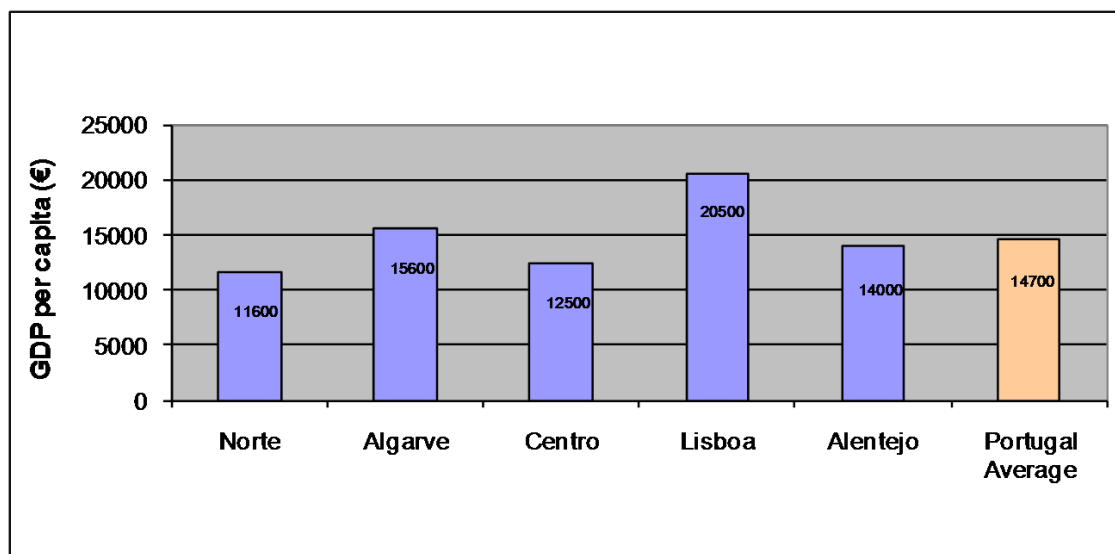
⁵ Source: <http://www.bbc.co.uk/news/uk-politics-11756049>, accessed February 20th 2011

⁶ In fact, Sen himself acknowledges that capabilities have not been examined within countries.

benefits for the people who live there. Despite having a level of GDP per capita above the national average (see Figure 1.1), there are high levels of unemployment and low participation rates, suggesting that development is highly unequal within the region. Indeed the GDP created in Alentejo is often spent in the country's capital and thus the context for locally controlled and self-sustaining development is clearly lacking.

Notwithstanding the choice of a territorially bounded regional case study, the analysis is multi-scalar and no single geographical level whether local, regional, national or European is assumed to be the most important in the development of capabilities. Choosing a European region was intentional in order to adapt the CA to the analysis of developed economies, a task that has been proposed but not fully tackled by Sen. Furthermore it is hoped that this thesis can help to inform EU regional policy, a point which is returned to in the conclusions.

Figure 1.1: GDP per capita in Portuguese NUTS II regions (continent only), 2006



Source: Eurostat

1.2 Outline of the chapters

The next and *Second Chapter* aims firstly to tie the CA conceptually to the existing literature within Regional Studies and Economic Geography. This is a vital exercise if the approach is to be of use within the discipline. It does this by discussing the paradigm of endogenous development and how its limitations can be addressed through the

adoption of the CA. Secondly, the chapter introduces the CA itself and makes some preliminary observations about how it may benefit from a geographical perspective. This review of the literature informs the framing of the research questions at the end of the chapter, providing a starting point for the empirical part of the thesis.

The *Third Chapter* outlines more fully the methodology of the research project. It describes how I selected the case, planned and executed the empirical work, as well as how the data analysis was undertaken. The discussion also critically analyses the strengths and limitations of the adopted methodology, in particular the use of case studies and the exercise of semi-structured interviews. However, the chapter shows that the methodology is in fact appropriate not only to answer the research questions but also in the overall framework of the CA. Sen insists that capabilities can only be examined through empirical research into how they are experienced in specific circumstances. He focuses mainly on the individual whereas geographers also look at the regional context but both require qualitative methods that unearth the depth of factors that shape capabilities.

The *Fourth Chapter* acts as a background to the case study, placing Alentejo in the Portuguese national context as well as analysing its economic and political history. However, in so doing it also identifies the macro-economic and constitutional factors which have a significant impact on capabilities in the region. It shows how the region's rapid insertion into the national and global economy had both positive and negative impacts but the way it reacted to these processes of change was governed almost exclusively by the central state. Limited steps towards the decentralisation of power in some areas has been made in recent years but the rejection of regionalization in a national referendum can be seen as a denial of political freedoms which were supported by a substantial majority of those who actually live in Alentejo.

The first of Sen's instrumental freedoms, namely 'economic facilities', are analysed in *Chapter Five*. It finds that these facilities are very unevenly distributed within the region since some localities have much greater possibilities for production, consumption and exchange. An important factor which affects these possibilities is location but there are also institutional factors such as local governance and leadership which can help localities overcome natural and spatial constraints. The chapter reveals an unresolved debate about what type of economic development is appropriate for the region. Some

argue that Alentejo should play to its traditional strengths of agriculture and other land based industries whereas others suggest that innovative new sectors are needed for the region to break out of a path dependent trajectory. The analysis posits that a capabilities perspective would support a mixed economy as the model to increase economic facilities in the region to the greatest extent. However, the most important finding is that there is a politics to development that is masked by a purely technocratic and rational approach.

Chapter Six tackles two interrelated capabilities, which are political freedoms and transparency guarantees. An interesting finding in this chapter is the large extent to which people living in Alentejo value political freedoms in an intrinsic sense, such as participation and autonomy, illustrated by quantitative data from local elections and a referendum on regionalization. There are nevertheless important instrumental reasons for political freedoms and transparency. Without them there can be substantial capability deprivations and several examples are given, for example injustices related to the planning system. The dividends of increased local and regional autonomy may be somewhat speculative; it is difficult to measure hypothetical scenarios. However, evidence shows that where local councils are given more independence, capabilities are enlarged. On the other hand, regional governance arrangements in Alentejo are very weak and the absence of a regional strategy is the most obvious manifestation. This chapter shows how local and regional democracy can have a constructive role because open debate leads to a greater introspective analysis on the challenges to development, and thus to improvements in other capabilities.

The Seventh Chapter completes the analysis by considering social opportunities and protective security in Alentejo, as well as quality of the environment. It finds that the quality of life may be high in some objective measurements as well as subjectively for some people, but overall social opportunities are very limited despite several positive initiatives. This is fuelling depopulation and ageing which in turn has a significant negative impact on both the intrinsic quality of life and the instrumental capability of economic facilities. Protective security is found to be weak in Alentejo, partly because the low levels of income support at a national level, but also because of the difficulty in accessing social services. Finally the environment is shown to be a major factor in the future development of capabilities in Alentejo but its management is related closely to other capabilities, notably political freedoms. Overall, the chapter shows more than any

other how capabilities are related and interdependent in complex ways, illustrating the need for a territorial and integrated approach.

Chapter Eight concludes by answering the research questions. It argues that it is possible to extend the concept of capabilities from individuals to regions as territorial units, even though they are influenced from different geographical scales. It outlines a number of factors that affect regional capabilities and comments on how the CA can be used as both an evaluative framework and a method of local and regional development. From an evaluative point of view the thesis argues that the resources (or ‘capitals’) that exist in a locality or region are not only important in terms of their contribution to economic growth but are also in themselves intrinsically valuable. As a method for development, a CA would both remove barriers to individual and collective initiative and pro-actively support the development of capabilities through state sponsored programmes. The thesis ends with some reflections on the research project and outlines future areas of investigation.

CHAPTER TWO:

THE CAPABILITIES APPROACH AND ITS RELEVANCE FOR REGIONAL STUDIES

2.1 Introduction

This chapter attempts to show how the Capabilities Approach (CA) can be used as an emerging conceptual framework to analyse the process of regional development. It does this by situating the approach within the fields of Economic Geography and Regional Studies and argues that it can be used to fill a gap in the existing literature. The strength of the CA is that it simultaneously provides a method for economic development and an evaluative tool, thus bringing back a normative element into the study of regions and localities. Moreover, it allows us to move on from previous disciplinary dualisms such as endogenous versus exogenous, structural versus post-structural, Marxism or Neo-Keynesianism versus institutionalism, and relational versus territorial. In policy terms, the CA can force regional actors to analyse what is meant by ‘development’ and what they consider is a success, thereby potentially creating clearer, more targeted and purposeful regional development strategies.

The chapter is divided into two main parts. The first part reviews the main concepts and theories of Regional Studies (and its parent subject Economic Geography) that serve as background to the adoption of the CA in this field. It can be seen as the conceptual journey that was taken in arriving at the choice of the CA as the lens through which I have analysed local and regional development in the thesis. This review revolves around what can be safely described as the most recent paradigm in Regional Studies, namely the role of endogenous factors in the explanation and promotion of local and regional development. The second part examines the CA itself, including its theoretical origins in different areas of Social Science and how it may be used in a multidisciplinary context. It makes some preliminary observations about how the CA may inform Regional Studies based on existing references and work in the literature. This discussion shows that unresolved issues with the CA, in particular the absence of a spatial perspective, means that the purpose of the empirical work is in fact to develop the CA into a more coherent and operational method of analysing and assessing regional

development. Based on the literature review the chapter concludes by introducing the research questions that the project has sought to answer in the empirical work.

2.2 The paradigm of endogenous development in Regional Studies

Declaring the existence of a paradigm may have been too common in the field of Economic Geography (Barnes et al., 2004). However, over the last two decades the sub-discipline of Regional Studies has seen a definite constellation of thought and concepts around the notion of endogenous development, backed up by large amounts of empirical findings. “The main idea of the new paradigm”, explains Vazquez-Barquero (2006, 21) “is that the countries’ productive systems grow and change through development potential existing in the territory (regions and cities) by way of investment from firms and public actors, under increasing control of the local community”. Thus as the term suggests, endogenous development concentrates on the capital and process that exist *within* a territory, geographically distinguishing them from the national economy as a whole⁷.

The paradigm of endogenous development can be seen as a result of dissatisfaction with previous theories and approaches to regional development. Firstly, Keynesian economics had concentrated on demand side factors such as location incentives to export orientated firms and transfers of resources from richer to poorer regions. Post-war regional policies had centrally managed national economies in order to redistribute wealth. Investments were made in specialised sectors operating on a large scale as it was believed this could lead to increasing returns. State intervention was in fact considered essential because in this view the free market increased and not reduced regional inequalities (Pike et al., 2006), since capital naturally concentrates in particular places where factors of production are advantageous (Martin and Sunley, 1998). However, Keynesian and political-economic approaches became unfashionable with the growth of neo-liberalism in the 1980s. The rejection of these theories was in fact largely

⁷ When defining endogenous it must also be noted that some factors may be ‘indigenous’, meaning that their origins are from the specific territory concerned. However, endogenous development can be described as a broader and more theoretical understanding of how factors in a territory are used for development, irrespective of their origins (e.g. labour and capital imported from outside).

linked to the political ideology of the day, following the end of the cold war and the rise of conservative governments in the USA and Europe. The state was seen as part of the problem rather than the solution. Many governments instead followed neo-classical approaches to regional development which predicted the reduction of inequalities through the ‘invisible hand’ of the market. Policies included the promotion of Schumpeterian entrepreneurship and skills enhancement, coupled with deregulation and tax reductions. However, whereas Keynesianism was criticised for treating the determinants of demand too simplistically, neo-classical approaches treated supply uniformly and did not consider the geographical particularities which make markets far from perfect.

In summary, previous approaches to local and regional development often treated regional factors of production exogenously, whether that was through external interventions from central government to stimulate demand or through the presumption of common rules about the behaviour of capital and labour. Endogenous approaches are underpinned by two main theoretical backgrounds (Vazquez-Barquero, 2006). Firstly, they are informed by ideas from new growth theory which in contrast to neo-classical presumptions, suggests that there can be increasing returns and the accumulation of capital within territories because of positive externalities (see for example Martin and Sunley, 1998). This perspective on uneven development regards all regions as sources of economic growth in contrast to donor-recipient models which transfer resources from core to lagging regions (Pike et al., 2006, 106). Secondly, endogenous development takes inspiration from new institutional perspectives on why some regions are more successful than others. These perspectives are the most interesting aspect of endogenous development for the analysis of capabilities as they concentrate on the varying ‘capacity’ of territories to develop and adapt to the global economy.

The notion of endogenous development can be seen however as more than the sum of different concepts and theoretical assumptions. It can also be viewed as “a strategy for action” (Vazquez-Barquero, 2006, 24) as it increasingly puts the local community in control of territorial development. The underlying idea is that self-sustaining development can be best pursued through the participation of local actors. Most European countries have tried to follow this strategy to varying degrees through such measures as the devolution of powers to regional and local bodies or the creation of partnerships and community initiatives. It is an idea that has been recognised by

international organisations as well as the EU, which has incorporated this perspective on endogenous development into its regional policy. Partnership is one of the five principles underpinning the structural funds⁸ and many of the Operational Programmes' Managing Authorities have devolved functions to local authorities. Moreover, the programming period from 2000-2007 had several 'community initiatives' that explicitly aimed to build local competence for territorial development⁹, measures that were largely mainstreamed and extended in the current programming period¹⁰.

The aim of many policies inspired by endogenous development is that through the building of different 'capacities', regions and localities will be able to pursue development independently from central government and resource transfers from core regions. This is of particular relevance for the cohesion countries in Europe with large parts of their territories becoming dependent on EU funds. However, it applies to many aspects of economic development and community regeneration in all countries (see for example Diamond, 2004). Literature in Regional Studies is littered with references to the different 'capacities' of places including "associational capacity" (Cooke and Morgan, 1998), "learning capacity" (Malmberg and Maskell, 1999), "innovative capacity" (Braczyk et al., 1998), and "governance capacity" (Milio, 2007). References to regional capacity can also be found in government documents (European Commission, 2008a, OECD, 2005), including the European Commission's green paper on territorial cohesion which states that "Increasingly, competitiveness and prosperity depend on the *capacity* of the people and businesses located there to make the best use of all territorial assets" (European Commission, 2008a). In this respect, endogenous development rejects accounts in dependence theory predicting that local communities in peripheral regions will never be able to control their development trajectories:

"Where the reductionist position of dependence theory maintained that external firms dominate capital accumulation processes, endogenous development theory holds that local productive systems, a network of economic and social agents, are founded on a system of economic, social,

⁸ See Council Regulation EC 1260/99 laying down general provisions on the structural funds.

⁹ The four community initiatives in the 2000-2007 programming period were: Interreg III (cross border cooperation); Leader+ (local rural development); Equal (discrimination and access to the labour market) and Urban II (economic and social regeneration in towns and cities).

¹⁰ Leader+ was the most notable community initiative related to 'bottom up' (rural) development and was mainstreamed into the European Rural Development Programme (ERDP) in 2007-13. For an overview of the 'Leader approach' in the ERDP see Edwards (2007).

political and institutional relations capable of stimulating growth and structural change” (Vazquez-Barquero, 2006, 47)

Perceived in this way, endogenous development places a large emphasis on the factors that condition whether a territory can take advantage of the resources it has at its disposal. In other words, much of endogenous development concerns the *capability* to convert resources into valuable outcomes, a theme which will become evident in the second part of this chapter on the CA and throughout the thesis. As a precursor, there are several theories and concepts within the fields of Economic Geography, Regional Studies and the Social Sciences more broadly which have informed the notion of endogenous development and which help to enlighten a geographical understanding of the CA. It is therefore worth briefly reviewing the relevant literatures, starting with the broad ontological engagement with institutionalism.

2.2.1 *Institutionalism*

Economic geography took on a new approach in the 1990s, which has been called the ‘institutional perspective’ (Amin, 1999), and continues to be influential (Coulson and Ferrario, 2007, Gertler, 2010), even though its overall coherence has been questioned (Martin, 2000, Boschma and Frenken, 2006). It is inspired principally by work in the fields of institutional economics and economic sociology, as well as mainstream economics (see for example Rodríguez-Pose, 2009), although institutionalism can be described as an ontology that has influenced many disciplines with the social science¹¹. Within economic geography, institutionalism has spawned a vast amount of literature about the interaction of economic agents in particular places, including many case studies from different parts of the world. In institutional economics, traditional approaches that focus solely on the rational behaviour of individuals are replaced by an awareness of how institutions regulate and shape the economy (Amin, 1999, Jessop, 2001). Institutions are broadly defined and include informal conventions and patterns of behaviour in addition to formal organisations such as firms, trade unions and governments¹². Economic sociology shows how the economy is socially constructed by

¹¹ For example in political science (e.g. Hall and Taylor, 1996), EU studies (e.g. Bulmer, 1998) and international relations (e.g. March and Olsen, 1984).

¹² Institutional economics has two main strands with different understandings of the relationship between institutions and the individual: The ‘new institutional economics’ associated with Douglas North and Oliver Williamson focuses on how firms and public bodies regulate and organise the economy, but retains the assumption of rational choice, profit maximising individuals. By contrast ‘old institutional economics’ has a much wider view of institutions

networks of relationships and how factors such as cooperation, mutual exchange and trust affect economic outcomes (Granovetter, 1985). The varied disciplinary roots have informed varieties of institutionalism: 'Rational choice' shows how the institutional context can affect actors' choices, 'Sociological' focuses on the role of institutions in shaping values and norms, and 'Historical' analyses the effect of institutions on behaviour over time (Martin, 2000: 83).

Applied to the space-economy, institutionalism examines how a wide range of different types of institutions act to create and recreate regional economies (Barnes et al., 2004). It explicitly challenges neoclassical explanations of growth based solely on the cost of production with a focus on the relationships between firms and other institutions over space and time (Grabher, 1993, Cumbers et al., 2003, Martin, 2000). Institutionalism fits easily into geography since the institutions under analysis are often spatially bounded, despite the growth of international networks amid 'globalisation' (Amin and Thrift, 1994, Storper, 1995). Thus, early research into the subject found that industrial districts in the 'Third Italy' prospered thanks to networks of small cooperative family firms together with the help of common advisory and marketing organisations (Piore and Sabel, 1984). Even high tech new industries such as software engineering in Silicon Valley were shown to benefit massively from the 'untraded interdependencies' of information exchange between localised firms (Storper, 1997, Saxenian, 1994). Finally, in the Southern German state of Baden-Württemberg, firms benefited from pooling research and development capacities and strong links with universities (Cooke and Morgan, 1998). The lesson for regional development was clear: Space-economies which cooperate internally are likely to be more successful than those which only contain competing individuals (Cooke and Morgan, 1998, Storper, 1997).

An influential contribution to this new paradigm has been the concept of 'institutional thickness', which claims that those regions with multiple and interacting institutions are more successful in the global economy (Amin and Thrift, 1994). It builds on the idea of 'the embedded firm', which shows that those firms that become 'embedded' in the local institutional fabric are more likely to survive and prosper (Granovetter, 1985). The institutional fabric of a locality or a region is therefore vital, contrary to predictions that

(including rules, production conventions and exchange norms) which are socially instituted and guide individuals. This work, pioneered by US economists such as Tohrstein Veblen and Karl Polanyi has been rediscovered by economic geographers has been more influential in the discipline (Amin, 2009).

the local would become meaningless in a global economy: “Global processes”, write Amin and Thrift (1994: 11), “can be ‘pinned down’ in some places, to become the basis for self-sustaining growth at the local level”. Four main aspects of the institutional thickness hypothesis can be identified (Coulson and Ferrario, 2007): Firstly, a strong local institutional presence, including a variety of organizations such as groups of firms, chambers of commerce, strong local authorities, trade unions and marketing boards. Secondly, high levels of interaction between local organizations in the form of regular contacts both formal and informal which would lead to cooperation and trust. Thirdly, through this interaction, a mutual awareness of being involved in a common enterprise, promoted and nurtured by local organisations. Finally, there is a need for political coalitions which minimize sectionalism and bring together the required financial resources for regional projects.

The concept of institutional thickness remains important today, even though the nature of the economy has changed since it was introduced nearly two decades ago¹³. However, despite its continued use, the concept can be criticised for being too simplistic. Dense institutional configurations in regions do not automatically lead to economic success and can depend on other contingent factors, leading to problems of cause and effect (Coulson and Ferrario, 2007). Also, there are practical and normative difficulties in trying to create particular institutional configurations (Amin and Thrift, 1994). Moreover, regions could suffer from ‘institutional overload’ which confuses actors and can be a waste of public money. In short, the existence of a large quantity of institutions in a region does not guarantee success, which is suggested by the notion of institutional ‘thickness’.

Following the criticism of the institutional thickness hypothesis, it has become important to analyse in more depth the nature and quality of institutions as determinants of economic outcomes. The issue of institutional difference needs to be answered by reposing the question of ‘are institutions important to regional development’, as ‘what are institutions for?’ One important contribution within institutional economic geography has been a focus on ‘Regional Innovation Systems’ (Braczyk et al., 1998,

¹³ Amin and Thrift’s analysis was based on cooperation between clusters of small manufacturing firms whereas there is now more interest in services and high tech economies (Coulson and Ferrario, 2007)

Cooke and Morgan, 1998, Santos, 2000, Zabala-Iturriagoitia et al., 2007). Given that innovation is considered as the driving force of growth in the economy today, geographers have attempted to analyse the institutional conditions in a region which lead to innovation. In line with the main varieties of institutionalism, those conditions may be socialized factors such as cooperation and trust, as well as more formal institutions including universities and state support for research and development within firms. This work has led to the concept of a 'learning region', which describes territories that are able to collectively adapt to changing market conditions and trends, thus remaining competitive in the global economy (Morgan, 1997).

Linked to literature on the learning region is the question of how time changes or reinforces the nature and performance of regional institutions. This variety of institutionalism can be described as 'historical' (Martin, 2000), and builds on work in Economic History centred on the development and trajectory of firms (North, 1990). The idea that institutions have a life of their own and develop over time has been taken up across the social sciences (for example in political science and EU studies see Pierson, 1996). Recently, 'evolutionary' accounts of economic geography and regional development have been given much attention (Boschma and Martin, 2007 and the special issue of *Journal of Economic Geography*, Boschma and Frenken, 2006, Grabher, 2009). The main difference between institutional accounts of regional change over time and the new 'evolutionary economic geography' is that the latter focuses primarily on the organisation and conventions of firms and does not take the existence of a wider geographical institutional context for granted¹⁴ (Boschma and Frenken, 2006: 286-291).

An influential explanation for uneven regional development that has emerged from historical institutionalism and evolutionary economic geography is that regions are 'path dependent' (Martin and Sunley, 2006, Martin, 2010). The abstract notion that 'history matters' is more specifically focused on how institutions are self-reinforcing (Pierson, 2000). In economic geography this has been used to show how regional economies can become 'locked-in' to development paths, based on a number of factors including: its natural resource base; the sunk costs of local assets and infrastructures, local economies of industrial specialisation, technology, agglomeration, social forms and cultural traditions, and inter-regional links and dependencies (Martin and Sunley,

¹⁴ This mirrors the difference between the 'old' and 'new' forms of institutionalism in economics, referred to in the previous footnote.

2006: 412). Path dependence has usually been applied in negative terms, describing regional economies that are inflexible and unable to innovate, and yet it can also describe the positive aspects of institutional embeddedness that lead to increasing returns (Martin and Sunley, 2006: 415-416). Moreover, while path dependence may be an important explanatory factor of uneven development, the analysis could also make a practical contribution to regional development strategies by suggesting how places can 'break free' from negative lock-in, avoid it in the first place or 'create paths' (Martin and Sunley, 2006, Martin, 2010).

2.2.2 'New Regionalism'

The move away from neo-classical and 'structuralist' (Marxian or Neo-Keynesianist) explanations of uneven development towards a focus on how local institutions¹⁵ affect economic outcomes has resulted in a renewed focus on the region as a scale of analysis (Cooke and Morgan, 1998, Storper, 1997), and thus it can be argued a more prominent place for Regional Studies within the broader field of Economic Geography. There has been a tendency to group this large variety of work together under the heading of 'New Regionalism' (e.g. Hadjimichalis, 2006, Lovering, 1999), although none of the main contributors associate themselves with it (Morgan, 2004). In fact, the 'New Regionalism' was coined by a political scientist who was attempting to explain the resurgence of regions as spaces of identity politics and governance in addition to economic development (Keating, 1998), and even though there are overlaps with Economic Geography the concept is very broad and its value is arguably diminished as a result.

Nevertheless, as explained at the beginning of this section, there has been a shift in emphasis towards endogenous solutions to regional development based on the strengths of each region, rather than nationally controlled regional policies. As Amin (1999: 365) writes, "Neo-classical and Keynesian approaches to regional development, though rooted in different theoretical and ideological principles, shared the common assumption that 'top-down', centrally managed policies could be applied to all regions equally". There has indeed been a paradigmatic change, since hitherto regions were

¹⁵ It may seem contradictory to pose structuralist and institutional accounts as opposites since many institutions are structural in nature (e.g. government organizations and regulations), but it is the socialised forms of institutionalism that have tended to dominate economic geography, which are post-structuralist in nature.

considered primarily as the *object* rather than the *subject* of policy (Keating et al., 2003). The importance of territory has been rediscovered since regions are no longer seen merely as geographic containers where social and economic processes are played out; they are in fact a causal factor in such processes (Pike et al., 2006).

2.2.3 Empowerment and good governance

Whereas endogenous development has emerged as a paradigm in regional studies in the last twenty years, similar concepts can be found independently within the field of Development Studies. In fact, there is a large potential for cross fertilization between the two disciplines, even though this has not been widely explored (for exceptions see Pollard et al., 2009, Scott and Storper, 2003). This is because pre-defined classifications such as North and South are too simplistic. Countries and continents are not homogenous with some cities and regions being much more integrated into the global economy than others, depending on their position in the international distribution of labour and their social and institutional characteristics (Pike et al., 2007, Scott and Storper, 2003, Vazquez-Barquero, 2006).

Since the Second World War, in what was called the Third World there has been a failure of purely macro-economic approaches to growth, whether state led strategies such as import substitution or neo-liberal policies focused on open economies (Pike et al., 2007, Scott and Storper, 2003). Partly as a result of the ideological victory of the Cold War, the latter emerged as the dominant political-economic orthodoxy that permeated international organizations and became known as the ‘Washington Consensus’ (Stiglitz, 2002). However, the failure of several high profile free market strategies led to a refashioning of neo-liberalism and an emphasis on ‘empowerment’ (Mohan and Stokke, 2000). This has involved a focus on development work at the level of the community, and many NGOs have been contracted by international organizations, especially the United Nations to deliver programmes aimed directly at ‘capacity building’¹⁶ (see for example Wing, 2004). While free markets and trade are still the central macro-economic principles, international organizations have

¹⁶ The UNDP website defines capacity building as “The creation of an enabling environment with appropriate policy and legal frameworks, institutional development, including community participation (of women in particular), human resources development and strengthening of managerial systems”

increasingly concentrated on the causes of poverty, prioritizing spending on health and education as well as the promotion of democracy. This combined approach to global development has become known as the 'Post-Washington consensus'.

There are however many academics and anti-globalization activists who are suspicious of the international consensus. They see the new programmes as a response to market failure rather than a genuine concern for the poor. For those passionately critical of previous development discourses and international monetary interventions, empowerment is seen as part of the 'post development' agenda (Escobar, 1995). This is based on a rejection of the hegemonic power structures which condition economic development and their replacement with local social movements. The whole notion of being 'developed' or underdeveloped' is dismissed for being patronising and disempowering (ibid). Ideas from post-developmentalism have recently been used in the field of local and regional development where post-structuralist approaches have deconstructed mainstream narratives of 'development' (Pike et al., 2006). In particular Gibson-Graham (2000) attempts to show how non-capitalist forms of economic activity can have a positive effect on growth and should not be subservient to dominant capitalist discourses. This perspective insists that communities should be empowered to decide on appropriate types of development and should be led locally from the 'grassroots' (Pike et al., 2006)

2.2.4 Social capital

A concept closely linked with institutions and endogenous development in regional studies is social capital. It has been highly influential in both academic and policy discourse, largely due to its "immediate intuitive appeal" (Schuller et al., 2000) and interdisciplinary nature (Brown and Ashman, 1996). Social capital, according to its most well known proponent Robert Putnam, relates to "features of social life – networks, norms and trust – that enable participants to act together more effectively to pursue shared objectives" (Putnam, 1995, 664). Two major books have been written by Putnam, a political scientist; *Making Democracy Work* (1993), which analysed how different civic traditions in Italy affected the performance of regional institutions, and *Bowling Alone* (2000) which extended the causality of social capital, arguing that it affects all aspects of American life including education, security, economic prosperity and health, as well as democracy. However, Putnam did not invent the concept; it had

first been used by Bourdieu (1986) and Coleman (1988) to analyse how class shaped educational achievement. Social capital has since been used across the social sciences.

Despite its appeal, the concept of social capital is open to criticism from several different perspectives. Firstly, it is too broad and lacks conceptual clarity which means that it is almost impossible to measure empirically (Schuller et al., 2000). Social and cultural features such as trust (Fukuyama, 1995) are vague and the concept has been stretched to include almost anything (Putzel, 1997). It may make sense and be measurable in specific situations such as relationships between firms; however the problem arises when attempts are made to read off wider social and economic outcomes from the characteristics of society at large. In other words there is a problem of causality, a criticism which has been levelled particularly at Putnam.

Secondly, there is an accusation that social capital as articulated by Putnam is too culturally determinist. The affect of culture is notoriously difficult to measure or prove despite large agreement that it is important (Keating et al., 2003, Ingelhart and Welzel, 2005). Putnam's original work on Italian society was problematic because social capital was always seen as an unintentional bi-product of other activities and traditions (Jackman and Miller, 1998), making causality very difficult to determine. There are further problems with cultural determinism. Putnam's analysis of Italy suggests that some regions will be locked into a culturally path dependent future, damned to eternal 'failure' in similar way to classifications of the global South (Escobar, 1995). So for example,

“Overworked people in sweatshops stay in those ‘bad’ regions like the Mezzogiorno, the North-East of England, Eastern Europe, Alentejo, Epirus and others, where social and cultural capital are either very underdeveloped or non-existent and therefore there is little hope of improvement” (Hadjimichalis, 2006: 699)

It has been argued that Putnam's cultural reading of social capital strayed from its original meaning as put forward by Bourdieu and Coleman, which was understood as a resource that was created through the rational choice of individuals (Jackman and Miller, 1998, Schuller et al., 2000). In this view social networks are purposefully created to offer benefits to its members, placing much more emphasis on individual agency. In Putnam's defence, his later work acknowledged the problems of causality in cultural explanations and put more emphasis on reciprocity and rational choice than

trust (Putnam, 2000). Also, I would argue that it is often difficult to separate cultural explanations from rational choice and in this sense the criticism of Putnam's work is too crude.

Finally, many authors including Putnam himself have been quick to point out that social capital is not always good (which distinguishes itself from more established forms of 'capital' such as financial and human). While features of societies such as cooperation and reciprocity may lead to positive outcomes, they are also used for collusion and criminality in what can be called the "dark side of social capital" (Putzel, 1997, Putnam, 2000). This may be obvious, but more subtle is the question of who benefits or is disadvantaged by social capital? It can not be described as a public good since it often only benefits members of a network (Woolcock and Narayan, 2000). In this sense social capital can lead to inequalities. Further, too much social capital within bounded communities may cause 'amoral familism' (Woolcock, 1998), which discourages trust and cooperation with those outside. In this condition members of the community avoid straying from familiar norms, which can be negative for wider society but also the members themselves as it restricts opportunities and entrepreneurship.

The above criticisms have led to the concept being refined to distinguish between different types of social capital. Based on network analysis Michael Woolcock (1998) labelled close intra community ties based on identity as 'embeddedness' and external relationships based on functional networks as 'autonomy'. This was renamed as 'bonding' and 'bridging' social capital by Gittel and Vidal (1998), the terminology later used by Putnam (2000, 22-23). Both types of social capital have their advantages and disadvantages, but the bonding variety is most problematic; it may help communities to get through difficult times but it can also lead to amoral familism. The challenge for development analysis and strategies is to identify the right mix of bonding and bridging social capital in any given context (Szreter, 2002, 576). A further distinction can be made in 'linking social capital' (Woolcock, 1998), which describes cooperative networks across class and other social divides. Given unequal power relations in society, linking social capital gives disadvantaged groups access to greater amounts of different types of capital which are also essential for development. Finally, the term 'institutional' social capital (Woolcock and Narayan, 2000) aims to acknowledge the vital role of the state within progressive developmental networks, a factor which had previously been neglected by the literature (Szreter, 2002). Contrary to some authors

who dismissed social capital because of its exploratory weaknesses and potential negative consequences (e.g. Fine, 1999), its refinement and deeper analysis ensures that it remains a useful concept. In summary, social capital is best viewed as

“the conditions that foster developmental strategies; dynamic professional alliances and relationships between and within state bureaucracies and various actors in civil society” (Woolcock and Narayan, 2000, 236)

The above definition of social capital can be usefully employed for the study of uneven development. Furthermore, a geographical reading of social capital can be a framework to collate thinking in institutional and evolutionary economic geography into a means of assessing progressive endogenous development. In order to avoid the problems of cultural determinism and causality identified above, four specific aspects of regional social capital can be identified:

- Inter firm networks: In post-fordist industrial forms of flexible accumulation, success depends on the cooperation of many different specialized firms. These flexible and cooperative networks can be viewed as sources of social capital which distinguishes places and is able to offset higher labour costs (Trigalia, 2001). This links to ideas in regional innovation systems, where social capital can be seen as a solution to the problems of knowledge exchange (Maskell, 2002, Maskell, 1999).
- Cooperative forms of firm organization and consumer relations: Good relationships between employers and employees and with consumers can be highly productive, evidenced by the literature of firms who are increasingly using the language of social capital (Pike 2000 from Halpern, 2005). Skills enhancement programmes can lead to increased productivity as well as safeguarding against structural employment by enlarging the regional skills base (Dawley, 2007). Family friendly policies of flexible and part time employment increase participation, especially of women, which can broaden the competences of firms as well as benefit the employees involved.
- Economic and social inclusion: Greater membership of networks, associations and voluntary organisations can lead to higher levels of participation in the economy and society, whether formal or informal (for a full account of the informal economy see Gibson-Graham, 2000). The third sector has been

particularly useful in developing the social economy and exploiting untapped sources of human capital (Amin et al., 2002).

- Local and regional democracy: High levels of civic involvement can enhance political participation as Putnam famously claimed. While the causal links between civic life and institutional performance, never mind socio-economic development are difficult to prove, democracy is in itself an important goal for society and social capital has a role to play.

As regards the right mix of different types of social capital, it appears that bridging and linking features are the most valuable for endogenous development. Too much emphasis on social capital should be avoided, since by itself it will not lead to development. However, as Trigalia writes (2001, 432) it can “significantly affect the creation of appropriate human capital, and the efficient allocation of both physical and financial capital, through effective cooperation between local actors”. Bonding capital may also be useful in regional identity formation as well as in transformational strategies during periods of structural upheaval. Some argue that local identity can have many positive bi-products. For example, Vazquez-Barquero (2006, 30) claims that “The feeling of belonging to a differentiated local community is sometimes so strongly rooted that it can triumph over class sentiment, altering industrial relations and reducing local social conflict”. However, there are many risks that can be identified too, including clientelism, corruption and local monopolies. In the case of Italy, “while in the Centre and the North a modernized politics favoured a productive use in the market of social networks, based on kinship and community ties” writes Trigalia (2001, 437), “in the South it fostered political capitalism: the use of social networks for a collusive appropriation of public resources”.

The state clearly has an important role to ensure that social capital is used in the right way. First, this means to provide a stable and autonomous political system, which is linked to questions of good governance. Furthermore, local and regional government can be active agents in networks to promote cooperation among actors (for a UK case study see Cooke and Willis, 1999). It is more difficult for the state to intervene in cultural practices and traditions that have developed over time and which affect economic and social outcomes, but this has already been shown to be a complex issue.

However, there is no doubt that social capital in its many different forms is a distinguishing feature in local economies.

2.2.6 Problems with the endogenous development paradigm

The paradigm of endogenous development with its focus on the role of complex institutions in determining economic outcomes has much to offer the analysis of localities and regions. However, several problems can be identified which have attracted criticism and which call for a reshaping of the paradigm. The first of these problems is methodological because some of the concepts emanating from endogenous development lack clarity. The second is a scalar issue, since the territorially focused literature has been challenged by scholars who emphasise the importance of factors originating outside the locality or region. Thirdly, there is a normative gap in the paradigm because while analysing the institutions and processes that may generate development, it has forgotten to define what development actually means for a particular place. Each of these issues should be briefly considered to understand how the CA may help to fill the gap in the current literature.

In line with a move from positivist methods more generally in social science, institutions are central to the so-called cultural turn in economic geography that require a more qualitative approach. As will be discussed more fully in the following chapter, this type of scholarship casts light on the complexity of places but risks lacking methodological rigour. For example, Ann Markusen (1999, 2003) wrote a passionate critique of what she described as the ‘fuzzy conceptualisation’ that emerged in Regional Studies in the 1980s. Through an analysis of some of the major contributions in the field she showed that the emphasis on processes such as learning and cooperation obscured the ability to identify causal factors; that the importance of agency and institutions as structures was lost. In her critique she originally referred to flexible specialisation and agglomeration, world cities and industrial districts as areas where fuzzy conceptualisation had taken place, but that list could be extended to include concepts such as institutional thickness, the learning region and regional innovation systems. Linked to the issue of conceptual clarity is the problem of how the concepts are operationalized; the more fuzzy a concept is, the harder it is to test empirically, or in other words “how do we know it when we see it” (Markusen, 1999: 870). While the

complexity of regional institutions and processes may be true, this methodological criticism calls for a recognition of the logical, causal links to what is produced.

The re-emergence of the region as a territorial unit deserving complex analysis has been for many 'new regionalist' thinkers a welcome return to the original regional geography of scholars such as Vidal de la Blache. The territorial view has however seen an important challenge in recent years from the so called 'relational' school in Regional Studies which conceives of regions as much more open and dependent on external processes (Allen and Cochrane, 2007, Macleod and Jones, 2007, Painter, 2008, Sunley, 2008). Pre-defined boundaries and hierarchies of scale are rejected and regions are instead "replaced by the idea of a regional assemblage, multi-actor, multi-scalar topological geometry" (Tomaney, 2009). Economically they are seen as part of networks of production and consumption while globalised cultures have weakened local identity. Regions are socially and intellectually constituted as part of a 'cartographical anxiety' (Painter, 2008). The idea of a completely 'unbounded region' has itself been rejected by some who have insisted on their persistence as containers of power relations and social practice as well limited by environmental constraints (Tomaney, 2009). The debate however is illuminating because it shows how both endogenous and exogenous factors may affect development of localities and regions. Consideration of local and regional 'capacity' therefore lacks acknowledgement of the external dimension which may (or may not) be needed to convert it into valued outcomes.

A more normative and fundamental criticism of endogenous development and the related institutional economic geography is that wider political and economic factors are ignored in the search for efficiency at the local level. It has been argued that new regionalist concepts such as learning, innovation and cooperation fail to situate the analysis within the overall social and political construction of regions (MacLeod, 2001). More specifically, it does not consider the politics of capitalist accumulation and uneven development within regions (MacLeod and Jones, 2001), or in common with the relational school of thought, the relationship with extra-local networks (MacKinnon et al., 2002), thus failing to analyse where the benefits of regional economic growth are actually felt. Some authors have taken this line of argument further and have suggested that the New Regionalism can actually serve to further neo-liberalism (e.g. Lovering, 1999, Hadjimichalis, 2006). The accusation is that a focus on non-economic factors such as cooperation and culture in the study of regional development allows policy

makers to follow low-cost programmes that do not address the complicated reasons for uneven development related to power and inequality (Hadjimichalis, 2006). These authors have pleaded for more attention to political and macro-economic considerations,

“otherwise these concepts will become part of a new technocratic language and the fashionable neoliberal ideology of the day; they will remain unexplained and unjustified and finally be condemned to operate only like the ‘hidden hand’ on neoclassical economics” (Hadjimichalis, 2006: 700-1)

The interesting point about this criticism of endogenous development is that scholars are realising that old concepts of uneven development in Marxist and Keynesian approaches need to be brought back in, or in other words geographers are “recovering a sense of political economy”¹⁷ (Martin and Sunley, 2001). The normative critique of the endogenous development paradigm (or associated concepts) prompts a rethinking of how institutions create particular outcomes in order to ensure that the type of development which is produced is valued by local communities.

2.3. The Capabilities Approach

2.3.1 From capitals to capabilities

The review of social capital has shown that despite conceptual problems, new ‘forms’ of capital can be considered as assets to be accumulated and used as a resource in the same way as more traditional forms of capital. It has already been noted that the Post-Washington consensus pursued a twin strategy of macro-economic growth based on productive capital as well as poverty alleviation through investment in human capital (education, health). The notion of social capital began to be explored shortly afterwards and is now recognised by the World Bank and other international organisations, albeit with continuing reservations by some economists (Dasgupta, 2000). The “widening of the lens” in relation to capital assets has been an important and welcome change in the development discourse (Bebbington, 1999, 2030). There was a growing awareness that increases in one type of capital may affect another in both a positive and negative way: Human capital allows people to take advantage of productive capital, but equally this

¹⁷ This has been emphasised recently in debates concerning evolutionary economic geography (MacKinnon et al., 2009, Pike et al., 2009) and some scholars have attempted to combine the two into a ‘cultural political economy’ (Jessop, 2004, Jones, 2008).

can have a negative affect on ‘natural capital’ in terms of environmental costs. The interdependence of different types of capital informs thinking on sustainable development (Serageldin and Steer, 1994) and the World Bank has developed accounting frameworks to include measures of natural capital in national accounts, though extending this to include social capital would be much more difficult (Bebbington, 1999). Nevertheless, thinking in these terms is a “potentially intriguing way of making explicit the tradeoffs between economic growth, human development, social integration and environmental integrity that are implied by different development options” (ibid, 2031).

The notion of capital has mostly been considered as an asset that can produce positive economic outcomes. This is true also for human, natural and social forms of capital; for example Putnam makes the case for social capital as an economic resource by attempting to show that higher levels account for the economic success of Northern Italy. Yet in the same way as poverty is no longer considered in purely economic terms, ‘development’ in general should be considered as multi-dimensional. Bebbington (1999, 2033) shows how poor people around the world have livelihood strategies that choose between different dimensions of poverty; they may for example choose to live in cities with high levels of pollution and crime (environmental and social poverty) in order to meet their monetary needs, or on the other hand resist migration from rural areas and remain closer to family and familiar community and religious institutions in a cleaner environment. Similar strategies (though of course under completely different conditions) can be identified in rich countries; many graduates and professionals have chosen a career in teaching in order to enjoy a calmer lifestyle in a place of their liking while foregoing a considerably higher income in another sector¹⁸.

This discussion of capitals therefore raises a crucial point: “The different capitals are not only *inputs* to livelihoods and development strategies – they are also their *outputs*” (Bebbington, 1999, 2033). Resources based on the environment, social relations or culture may be productive but they are also of value in themselves, a point which is completely disregarded when development is equated with economic growth and measured in terms of GDP. It is a point forcefully put forward by Arun Sen (1997) in a short essay on the difference between human capital and human capability. Sen

¹⁸ This strategy is particularly common in times of recession, which has happened recently in the UK: <http://www.guardian.co.uk/education/2010/mar/07/britons-flock-teaching-new-career>

acknowledges that human agency is a very productive resource for development, more so in fact than financial capital. However, Sen (1997, 1960) posits that

“it is important to see human beings in a broader perspective than that of human capital. We must go *beyond* the notion of human capital, after acknowledging its relevance and reach. The broadening that is needed is additional and cumulative, rather than being an alternative to the “human capital perspective¹⁹” (Sen, 1997)

This distinction is a key point of the capabilities thesis, which has been articulated by Sen as an approach to development, becoming highly influential in development economics and policy making. His seminal work entitled *Development as Freedom (DAF)* was first published in 1999 a year after winning the Nobel Peace Prize for welfare economics. The press release by the Prize Committee said that “by combining tools from economics and philosophy, he has restored an ethical dimension to the discussion of vital economic problems”.

2.3.2 The Capabilities Approach to development

In *DAF* Sen summarises much of his previous work in welfare economics and political philosophy where he had conceived the idea of capabilities, together with other authors notably Martha Nussbaum (see inter alia Sen, 1985, Sen, 1993, Sen, 1997, Sen and Nussbaum, 1993). Capabilities are based philosophically on a Kantian reading of utilitarianism and a Rawlsian conception of justice (Sen, 2001, 54-87). *DAF* uses this philosophical basis to outline a framework for evaluating development in terms of enlarging peoples’ capabilities or what he calls ‘freedoms’, but equally he posits that the CA provides a method of development:

“Freedom is central to the process of development for two distinct reasons.
1) *The evaluative reason*: assessment of progress has to be done primarily in terms of whether the freedoms that people have are enhanced;
2) *The effectiveness reason*: achievement of development is thoroughly dependent on the free agency of people” (Sen, 2001, 4)

DAF provides much empirical evidence to back up these two reasons for using the CA. In terms of evaluation Sen shows clearly that economic growth is an insufficient means to measure development, since it does not always translate into social and political benefits. As an example he compares the district of Harlem in New York and the Indian

¹⁹ Sen clarifies his argument by conceding that the term human capital could include the broader notion of development of capabilities, but notes that in common usage this is not the case, referring only to the productive possibilities which the word ‘capital’ traditionally describes.

state of Kerala, the latter being considerably richer in terms of average income but with much higher levels of poverty, crime and access to healthcare. In fact, many countries with relatively high levels of GDP per capita suffer from low average life expectancy, including Brazil and South Africa. Yet others with very low levels of per capita GDP such as China and Sri Lanka still enjoy average life expectancy similar to many European countries (Sen, 2001, 47). Sen argues that these examples are not coincidental, but rather those countries with higher life expectancy have historically given greater value to social welfare despite a lack of financial resources.

Furthermore, Sen rejects arguments that welfare and other universal services are a luxury that only rich countries can afford, and that poorer ones should first follow economic growth. On the contrary, he argues that in the 'East Asian Tigers' such as South Korea, the value placed on social and political development, especially education laid the foundations for economic success (ibid, 43-46). Interestingly, the reason why states can afford to provide such services without a large income is that they are labour intensive, which is relatively cheap in poorer countries²⁰. It may also have something to do with values of sharing, a point he illustrates with the history of the British National Health Service, which was founded during the Second World War at a time of national austerity, because of high support for social services at the time (ibid, 50). In giving these example Sen wishes to emphasise the second reason for the CA; its effectiveness as a method for development.

The combination of evaluation and effectiveness in the CA is further elaborated by what appears to be its core message, which is a distinction between ends and means. Expansion of capabilities or freedoms is both the primary end and the means for development, which Sen refers to as their 'constitutive' or 'intrinsic' role and their 'instrumental' role (Sen, 2001, 36-37). Intrinsic capabilities, which when realized are described as 'functionings'²¹ include such things as the health, education, social participation and political freedoms. The ultimate aim and priority of development is to expand these foundational freedoms. Although some scholars in the fields of philosophy and psychology have attempted to make a list of functionings to include in a 'capability

²⁰ The point about relative costs and public provision could also be a strategy for regional development.

²¹ The difference between the two terms only really matters when framing an evaluation, as it may either aim to measure the actual realized functionings or the capability set of potential functionings (Sen 2001, 75).

set', notably Nussbaum (2001), Sen prefers to leave this open in order to accommodate cultural diversity and personal choice. Thus, while the CA introduces a normative dimension to development, it is up to societies and elected politicians to decide on the exact mixture and weighting of the norms. As Nussbaum (2001, 87) writes, "Capability, not functioning, is [seen as] the appropriate political goal". In fact, the value of choice and participation is seen as an important freedom in its own right. However, intrinsic capabilities can never be sacrificed to achieve other objectives, a point which underlines the essentially liberal nature of the approach. Thus for example, the argument that authoritarianism may be conducive to short term economic growth is rejected not just because of shaky evidence but because fundamental freedoms are directly important and do not have to be justified (Sen, 2001, 16)²².

Instrumental capabilities on the other hand are the means to achieve what is intrinsically significant, and include "rights, opportunities and entitlements" such as income and employment. Sen proposes five principal groups of instrumental freedoms, which are summarised in Box 2.1. Intrinsic freedoms may be lacking in some countries as a result of authoritarian and undemocratic regimes. However, in many countries the primary means to enhance intrinsic freedoms is to expand instrumental freedoms. Given that European countries are democratic market economies, it is logical to focus on the expansion of instrumental capabilities in this thesis – a method which is outlined in the next chapter.

Instrumental capabilities are not just useful because of their ability to expand intrinsic freedoms, since they interact with and advance other freedoms. Sen believes this to be an important point as he argues that instrumental freedoms should be maximised even if the consequences cannot be directly related to an intrinsic freedom, because it is often combinations and interactions of these instrumental freedoms which ultimately leads to an expansion of human freedoms, and thus development (Sen, 2001, 37). It should be noted also that many freedoms such as education and democracy may be both intrinsic and instrumental. Education for example is instrumental in improving someone's job and earning prospects, but it is also intrinsically significant in its socially formative and mind expanding roles.

²² In a later book, Sen gives an argument for retaining intrinsic freedoms such as democracy, which is that limiting one freedom can lead to even greater unfreedom, such as the massive famine that took place in the 'great leap forward' (Sen 2001, 46; 146-160)

Box 2.1: Sen's Instrumental Freedoms

1. *Political freedoms*: These refer firstly to civil and political rights such as the opportunity to choose who should govern and on what principles, the possibility to scrutinize and criticize authorities, and to have freedom of political expression. Secondly, they include political entitlements in the broadest sense, such as opportunities for political dialogue, dissent and critique, voting rights, and standing as a member of the legislator.
2. *Economic facilities*: These refer to the opportunities that individuals respectively enjoy to utilize economic resources for the purpose of consumption, or production, or exchange. These opportunities depend on the resources owned or available for use as well as conditions of exchange, such as relative prices and the working of the markets. Aggregate wealth, such as an increase in income for a country or a community is affected by distributional considerations. Particularly important for economic opportunities is access to finance, which applies to large firms, micro-enterprises as well as individuals.
3. *Social opportunities*: These refer to the provision of services such as health and education, which influence a person's substantive freedom to live better. Social opportunities are not only important per se, but interact with other instrumental capabilities such as economic and political freedoms. Poor language and maths skills for example can interfere in ability to trade.
4. *Transparency guarantees*: This describes the processes which allow people to deal with each other freely and with trust. They play an important instrumental role in preventing corruption, financial irresponsibility, and under hand dealings.
5. *Protective security*: This describes the social safety net which is needed to protect those who are adversely affected by material changes in their lives such as unemployment. In some countries these changes can lead to poverty and even death, but protective security is needed "no matter how well an economic system operates".

Source: Adapted from Sen (2001, 38-40)

An important, though perhaps obvious point to be made about instrumental freedoms, is that their impact depends on how they are distributed within a country, or for that matter any scale of territory. On the one hand, increased wealth for a country can improve the level of social services. On the other, wealth is most effective in expanding intrinsic freedoms when it is in the hands of those who need it most. One of Sen's overriding arguments in development analysis, and one which can be very useful for this project, concerns the benefits of increased *participation* in all aspects of political, economic and

social life. Thus, although several political and civil unfreedoms in East Asia contributed to the Asian economic crisis, he argues that the reason why these ‘tigers’ could develop so quickly was because of widespread economic *participation* due to social capabilities:

“For a variety of historical reasons, including a focus on education and basic healthcare, and early completion of effective land reforms, widespread economic participation was easier to achieve in many of the East Asian and Southeast Asian economies, in a way it has not been possible in, say, Brazil, India or Pakistan, where the creation of social opportunities has been much slower and that slowness has acted as a barrier to economic development” (Sen, 2001, 45)

Freedoms are thus seen by Sen as interdependent. One example he often refers to is between political and economic freedoms. In the developing world dictatorships have regularly caused economic disasters, leading to poverty and death. However, the link also applies in democratic market economies. This is because the *quality* of democracy can make a big difference to economic participation, and thus to intrinsic freedoms. Another example is between economic and social freedoms, since it is the *quality* of economic regulation that often determines social outcomes. To illustrate this point, it is useful to note that in *DAF* Sen makes references several times to Marx, who for example, though “not a great admirer of capitalism in general” praised the American Civil War as it freed slave labour through the employment contract (Sen, 2001, 7). Similarly, Sen admires Adam Smith’s work because of the social importance he attached to the market. For example, the reason why Smith was so supportive of competition was because it created wealth for many, removing the control that existing vested interests had in fixing prices (ibid, 121).

In conclusion, the CA offers an established and recognised framework for evaluating development as well as a method to inform development strategies. While it has been focused on less economically developed countries Sen himself suggests that it is a framework that is universally applicable. However, he does not himself show how. Moreover like with the adoption of concepts from mainstream economics into economic geography, care has to be taken (Boschma and Martin, 2007) in adapting the approach for the study of regional development. In order to start this task, a review of existing work in using the CA in Europe and in Regional Studies is now presented.

2.3.3 *Existing work on capabilities in Europe*

Although there is only a small amount of literature focused directly on the CA in Europe, and even less within Regional Studies, it has nevertheless been noted by many scholars in recent years. Moreover, there has been a growing interest in how development is defined and measured from across the policy and political spectrum. Recent policy debates have already been introduced in the previous chapter and therefore this review focuses on existing work in the academic literature, and is most interested in attempts to link the CA to regional development.

The brief history of Regional Studies outlined in the opening section of the chapter reports on recent unease about the lack of a normative framework. For neo-Marxists this amounts to an almost betrayal of its roots in radical critiques of uneven development, while others have argued that the failure of some Keynesian policies in the 1970s should not have obscured the need for an element of redistributive territorial justice and national regional policies. Whereas the merits and problems with leftist agendas may be debated, there appears to be a growing consensus that recent growth theories are inadequate, or at least they are unable alone to achieve balanced economic development.

As noted in the first section, institutionalism in economic geography and New Regionalism have been heavily criticised for their conceptual ‘fuzziness’ and methodological weaknesses, but above all because of their monolithic view of how regions develop. These issues were addressed by Kevin Morgan in an article defending the New Regionalism, and specifically his co-authored book *The Associational Economy*²³ (Morgan, 2004). The book had been criticised for ‘fetishing’ the regional scale (MacKinnon et al., 2002) and ignoring potential regressive forms of regionalism. In addition to countering the specific criticism of this book with references, he shows how regionalism and devolution can be both progressive and regressive, comparing as an example the isolationism of the Italian Northern League or racism of the Vlaams Block with broadly positive devolution in the UK. He dismisses reductionist arguments by Lovering (1999) and others which claim that regionalism always leads to neo-liberal

²³ The Associational Economy (Cooke and Morgan, 1998) is considered one of the main contributions to the new regionalism, even though Morgan does not identify himself as a ‘new regionalist’, since he claims that others, notably Lovering (1999) have misrepresented it (see Morgan 2004, 873).

policies and the weakening of the state, and points out that it has been opposed by both the left and the right. Instead, Morgan writes:

“We judge regional devolution (or any other form of devolution) on its capacity to create or enhance the things we construe to be intrinsically significant, like deeper democratic structures, social and spatial solidarity, the integrity of the public realm, and sustainable development, for example” (Morgan, 2004, 877).

Some of these ‘intrinsically significant things’ are often lacking in many ‘developed’ countries and not just in the global South. Morgan takes the example of the Welsh Valleys region, which has very high levels of long term limiting illness. In a similar vein to Sen’s comparisons, Morgan points out that the Italian Mezzogiorno is as poor as Wales in income but has much lower levels of long term limiting illness, partly because of better access to a healthy diet (Morgan, 2004, 884). Given the new Welsh Assembly’s constitutional obligation to sustainable development, devolution will hopefully help to address such issues. Positive results can already be seen, such as the Welsh government’s approach to public procurement for school meals, which improves the diet of young people, supports local producers and is more environmentally friendly through the reduction of food miles (ibid, 886). However, Morgan predicts that much more regional empowerment is needed to bring about significant results in the area of sustainable development. In particular, he points out the obstacles that are placed in the way of devolved regional administrations in what he calls the ‘EU multi-level polity’. In the example of public procurement, the Welsh government’s efforts are being limited by strict EU competition regulations.

The reason why the issues presented by Morgan are not given enough attention is because of the dominant discourse of competitiveness in regional policies and the ‘New Regionalism’ (Bristow, 2005, Morgan, 2004). Moreover, Bristow (2005) argues that regional competitiveness is itself not a clearly defined and proven concept: Firstly, too much emphasis can be placed on endogenous institutional factors when in fact studies have shown that innovation is often driven by corporate features and social relations that go beyond the region. Further, Bristow argues that the competitiveness discourse only takes into account outputs and not factors such as historical and regulatory path dependencies that make territory uneven, not the level playing field where competitiveness can be compared. In other words, regions cannot be considered an

extension of the firm and theories of corporate competitiveness directly transferred to the regional scale.

Morgan notes that the emphasis on competitiveness within the EU comes from the Lisbon agenda, which was the economic strategy for the EU between 2000 and 2010. In Morgan's view, a better metric for development would be the eight millennium goals targeted at developing countries, since they focus on quality of life issues and sustainability (Morgan, 2004, 886). The EU does have the Gothenburg sustainability agenda, but despite the propaganda that purports its equal importance to the Lisbon strategy, it remains the poorer relation in terms of European priorities. The normative influence of competitiveness at EU level is taken up in an edited book called *Europe and the Politics of Capabilities* (Salais and Villeneuve, 2005), a collection of essays resulting from an initiative of the European Commission between 2000 and 2006 that brought together social scientists and representatives of the European social dialogue²⁴. In the introduction, the editors show how the European Union is dominated by issues of macro-economic stability including job creation (but without measuring quality), labour market flexibility and welfare reforms (job cuts and social security reductions) and tackling inflation – at the expense of social policy. In their view, this approach to the EU's political economy puts public goods in competition with each other and leads to a 'race to the bottom' in terms of welfare and work. The problem is that this approach is predicated on macro-economic indicators, which say nothing about quality, including production, work and well being. This approach, according to the editors, can be most clearly seen in the implementation of the European Employment Strategy (EES). Despite including several social concerns such as equality of opportunity at work, the guidelines mostly concern objectives of wage moderation and overall increases in employment rate. Furthermore, despite earlier progress during the Delors Commission, competence for employment and social policy remains firmly in the hands of the Member States, in contrast to the single market and Economic and Monetary Union (EMU). The EES is implemented through the 'Open Method of Coordination', compared to the Community Method for the construction of the single market and the Stability and Growth pact governing EMU. This means that despite provisions in the treaties for social policy, there are no 'hard' tools to implement them.

²⁴ The European Social Dialogue was established in the EC treaty (Title XI) and brings together representatives of employers' and labour in the form of the umbrella organisations Business Europe (formerly UNICE) and the European Trade Unions Association (ETUC).

Salais and Villeneuve call the current framework of European action the ‘activation route’ and they compare this to a possible ‘capabilities route’. This ‘route’ would prioritise the enhancement of opportunities for workers to improve their living and working conditions. They argue that the approach should involve a new conception of the principle of subsidiarity, which currently is only used by Member States to defend competences. Instead, any new regulation would fit the level at which it is aimed, whether that is firms, sub-national territories or central states. This approach would improve the quality of regulation rather than increase it, and would lead to a social Europe of expanded freedoms, resembling the development approach of Sen (Salais and Villeneuve, 2005, 11-18). The recently proposed economic strategy for the EU called “Europe 2020” appears to be a step towards the capabilities route (European Commission, 2010). It establishes itself five ‘headline targets’ that include improvements in employment, climate change indicators, education and poverty. Moreover, the Open Method of Cooperation has been refashioned to include country specific recommendations and policy warnings in a similar governance structure to the stability and growth pact for EMU²⁵.

The need to reintroduce a greater concern with society in development discourse has also been noted by scholars in the field of local and regional development (MacCallum et al., 2009). Attempts have been made in particular by Moulaert (Moulaert, 2009, Moulaert and Nussbaumer, 2005) to reanalyse concepts in the literature based on an ontology of community development. This ontology is adopted from the literature in development studies discussed above, including concepts such as empowerment and good governance. In what Moulaert had previously called Territorial Innovation Models (TIMs), which are another way of describing the institutional accounts of endogenous development, both social and technological innovation are discussed, “but TIM puts the instrumentality of the former to the latter and to improving competitiveness upfront” (Moulaert and Nussbaumer, 2005, 48). On the other hand, “social innovation” concerns the satisfaction of basic human needs in the territorial community and the changes in social relations between individuals and groups that would bring this about (ibid, 49). Interestingly, Moulaert and Nussbaumer use the ontology of community development and the concept of social innovation to re-examine the notion of capital, including its

²⁵ In fact, reporting for the stability and growth pact and the EU2020 targets will be made simultaneously, while keeping the two instruments separate (see Europe 2020 strategy page 4).

different variants as discussed above in the section on social capital. Crucially they look at the interaction of capitals and how this causes them to be reproduced (ibid, 54-58).

A geographical approach to the CA would evidently analyse inter and intra regional inequalities according to different economic and social variables, and this has been done extensively in the literature. However, what has not been widely attempted is to link these inequalities to aggregate measures of capabilities over space. An exception is the analysis by Perrons (2009) who attempts to develop a Regional Development Index measuring selected intrinsic capabilities using UK data²⁶. She also develops a ‘Gender Sensitive Regional Development Index’ as she is particularly concerned about gender inequalities and their consequences for capabilities. Furthermore, Perrons attempts to theorise the complementarities between the regional development and equalities agendas. She notes that several different theoretical perspectives from Marxian, through neo-classical to endogenous development approaches predict uneven development through agglomeration. In fact, she argues that uneven development can be positive because of gains made through economies of scale and diffusion of tacit knowledge, gains that arise because of “collective endeavour”. However, uneven development becomes problematic when these social gains are not distributed evenly; moreover the negative externalities of agglomeration are also experienced unevenly (Perrons, 2009, 3)

2.4 Conclusions and research questions: In search of a geographical understanding of the Capabilities Approach

The literature review has raised many questions and pointed to interesting avenues for analysis. The first part focused on the paradigm of endogenous development as this is the area where the CA fits into Regional Studies. It showed that an analysis of endogenous capitals provides many important insights and explanations into why regional inequalities exist and how they can be reduced. Yet in a similar way to Sen in his short paper on human capital (Sen, 1997), there is a need to go beyond the endogenous development paradigm to address issues of vital importance to people living in those places which are the object of analysis, namely what development is for and how this type of development can be achieved.

²⁶ Perrons selects the following capabilities to be alive, healthy and knowledgeable; to have an adequate standard of living; and to engage in productive and valued activities.

Regional Studies has noted the problem of growing economic, social and environmental inequalities. It has also attempted to widen the definition of development, making references directly to the CA and the work of Sen (Morgan, 2004, Perrons, 2004, Perrons, 2009, Pike et al., 2007). For example, the following definition of development bears close resemblance to the CA:

“Development’ is defined as the establishment of conditions and institutions that foster the realization of the potential of the capacities and faculties of the human mind in people, communities and, in turn, places.”
(Pike et al., 2007)

However, there are many unanswered questions in constructing a CA to regional development. Firstly, the above definition attempts to link the enlargement of capabilities of people to places. This causality is to some degree correct; the greater number of people in a place who enjoy high levels of capabilities is cumulatively beneficial for places. Yet, a complete geographical understanding of how ‘regional capabilities’ can be measured must take into account the interdependencies of capabilities as outlined by Sen. Further, it needs to go beyond this by analysing how space and scale affect such interdependencies. Moreover, any spatial reading would have to consider local context as well as any regional or national regulatory frameworks, a lesson that is clear from the recent work on endogenous development.

Secondly, the above definition identifies the establishment of conditions and institutions that enlarge capabilities as a method of development, but Pike et al do not explore how they are produced. The use of the CA as a method for regional development is perhaps more useful than its evaluative dimension. The existing literature is stronger on evaluating development through a focus on inequalities (which could be described as a ‘negative’ use) compared to how the enlargement of capabilities is a progressive method of development (which could be described as a ‘positive use’). Also, the evaluative framework of the CA as put forward by Sen and Nussbaum is based on political philosophy underpinned by the individual and it may be too difficult to translate this to regions. This review suggests that it is the effectiveness of capabilities or ‘freedoms’ that is the most fertile ground for analysing regional development using the CA.

Given these challenges and gaps in the literature, this project aims to answer the following research questions:

1. *Is the CA useful as an approach to local and regional development in Europe?*

The first research question is perhaps the most important because without a positive answer the other three become much less important. As the review of literature on varying concepts and approaches in the field of Regional Studies shows, many seem interesting but are too ‘fuzzy’ to be useful. Through an empirical investigation in the field, it is hoped that some insights into how the approach can be developed in practice will be gained.

2. *How does geography affect capabilities?*

A review of the Regional Studies literature shows the importance of geographical variation of institutions but this is not borne out in the CA. This can be illustrated by the former’s interest in social capital compared to the focus on human capital in the latter. The empirical work will attempt to identify the socio-spatial factors that influence capabilities in one region of Europe.

3. *How can local and regional capabilities be assessed, and is it possible to develop an evaluative framework that can be used across the different regions of Europe?*

In order for the CA to be useful for Regional Studies, an idea about how capabilities may be measured in the local and regional context is vital. This is a methodological challenge that will be analysed by the thesis, although full quantification is not within its scope.

4. *How can local and regional capabilities be built?*

One of the important aspects to the endogenous development paradigm and for Regional Studies in general is that theory should improve development strategies (Vazquez-Barquero, 2006). The analysis of local and regional capabilities will therefore aim to provide concrete policy lessons for sub-national governments, as well as policy makers at national and European level.

Finally, it must be acknowledged that because the CA is at an early stage of development within Regional Studies, the above research questions are very broad. A corresponding choice of methodology is therefore needed, and this is outlined in the next chapter.

CHAPTER THREE: AN EXPLORATORY CASE STUDY APPROACH

3.1 Introduction

This chapter describes how I attempt to assess the value of the Capabilities Approach (CA) to the theory and practice of local and regional development. The method has not been taken directly off the shelf from a textbook since it is difficult to find examples of previous studies with similar aims. Partly this is because the concepts used are interdisciplinary and therefore established methods in geography cannot be replicated. However, a more important reason relates to the nature of the research: The project aims to assess an approach rather than test a hypothesis and there is a wider choice of methodological tools for the latter. In other words the aim of the research is exploratory rather than verification. A further point should be added about the nature of the CA itself. It is usually described as an ‘approach’ rather than a ‘theory’ because it does not aim to replace an existing contention (it challenges aspects of utilitarianism and libertarianism but does not reject them outright). Nor does it offer an exhaustive view on evaluation, since capabilities and functionings vary in different societies. As Corbridge points out, one of the distinctive aspects of Sen’s work is “to insist on the superiority of what might be called partial theorems (or incomplete orderings of the ‘good life’) in recognition of the messiness of the world with which economics should contend” (Corbridge, 2002, 192). In fact, it is the diversity of human reasoning which defines the CA, in contrast to singular understandings of progress such as economic growth measured by GDP. The interdisciplinary and conceptual nature of the research therefore points to a qualitative methodology to analyse the thick descriptions of political, economic and social circumstances found within a specific country and region.

One of the criticisms of Sen’s work is that it neglects the role of institutions in shaping rational actors’ choices and is unclear about how they can be used to increase capabilities (Corbridge, 2006). The previous chapter showed how Economic Geography has been highly influenced by Institutional Economics as has geography by institutionalism in general. The reason is quite clear, since geographers have realised that places are made up of a variety of institutions which are more than the sum of

individuals that compose them. Institutionalism is extremely relevant to geography precisely because institutions are often rooted in particular places and are unevenly geographically distributed. The task of adapting the CA to the ontology of institutionalism is a theoretical one that could in fact have taken place in the university library with reference to the vast literature on the subject. The choice of institutionalism would therefore be a theoretical and methodological approach to studying regional capabilities, and the lack of empirics may not have been considered an obstacle towards satisfying the doctoral requirement of an original contribution.

However, the reason why I chose to undertake empirical data collection in the field was that one of the aims of the project is to provide useful insights for the practice of local and regional development which would be very difficult based on a purely theoretical analysis. It is worth repeating that Sen insists that the capabilities approach is a method for development as well as for evaluation, and he provides a large amount of empirical evidence for this in his book *Development as Freedom (DAF)*. Furthermore I follow Markusen's appeal for empirical evidence to avoid 'fuzzy conceptualisations', despite the clear need for theory to shape progress. As she writes, "It is common to hear scholars refer to a divide between the quantitative people and the theorists, as if those who use data for evidence have no theory and those who 'do' theory have no use for evidence" (Markusen, 1999: 872)

The empirical approach I have chosen can be described as an 'exploratory case study', choosing Portugal and the region of Alentejo as geographical cases to assess the value of the CA. As I also suggest what a geographical reading of the CA may look like, the study resembles what is known as 'grounded theory'. These approaches can be described as methodologies rather than methods, the latter which are specific data collection tools (Yin, 2009). The remainder of the chapter is divided up into two main parts: Firstly I discuss the benefits and disadvantages of case studies and more specifically the type of case study approach used since there are different varieties in social science research. This includes a discussion on how the case was selected. The second part discusses the specific methods used to collect the data, namely interviews and documentation. The procedure for identifying and conducting the interviews and finding secondary sources is described.

3.2 The case study as a methodological approach

3.2.1. Why use a case study?

Geographical research, especially of the qualitative variety, can rarely avoid using cases as illustrations in making a theoretical point or as evidence to put forward arguments. Case studies are used in many disciplines and relate to a number of different objects such as a specific time period, a process or a concept. In this respect the use of case studies reflects a variety of different theoretical traditions (Stark and Torrance, 2004). Since geographers are concerned mostly with how phenomena are distributed and experienced across space, the most common object for case studies are spatially bounded territories. The extent to which localities and regions are 'bounded' has come under critical scrutiny recently by the relational school of thought, though this does not prevent geographical case studies being used even if the analysis shows that they are influenced to a large degree from outside. The advantage of having an in depth insight into a particular place allows the researcher to understand the 'soft', contextual factors which contribute to determine outcomes, especially those related to agency. The importance of these factors has been increasingly recognised within geography over recent decades and so as Herbert puts it (2010, 75), "Case studies are the bread and butter of qualitative work".

It is important to add that quantitative data can also be used in case studies, which can be informed from a variety of different data sources through mixed methods. While this case study draws primarily on field interviews, it also makes use of secondary data (both qualitative and quantitative), especially in the next chapter that analyses the context. This chapter is an important part of the overall thesis, since as Yin (2009) explains, case studies do not separate clearly context from phenomenon as do other methodological approaches.

Despite the wide use of case studies in geography there are nevertheless differences depending on the research questions. They are often used to test various theoretical propositions and therefore would have some form of hypothesis. However, as mentioned, this research project aims to explore the value of a conceptual approach rather than test a specific theory. The purpose of using a case study approach here is mainly heuristic: I am not attempting to prove that the CA is correct but to explore its use for the study and practice of territorial development. Case studies are also used

regularly for evaluations, especially by government agencies. If the CA is found to be useful, indicators could be developed to undertake evaluations of specific regions. Although this thesis analyses Alentejo through a capabilities perspective, and assessments about its socio-economic development can be reached, this is not the *primary* aim of the research and it does not develop indicators that can be used for evaluation.

A “preliminary attempt” at developing evaluative indicators has in fact already been made by Perrons (2009) who calculates a measure of regional development inspired by the CA using inequality data in the UK. This is an alternative and valid methodology but this research aims to arrive at a more detailed understanding about how geography and institutions affect capabilities, therefore moving away from the capabilities of individuals to the notion of ‘regional capabilities’. Given this task, an exploratory case study based on a mix of qualitative field work and secondary sources was deemed the appropriate methodology.

The attempt to develop a theory of regional capabilities based on fieldwork can be described as a type of ‘grounded theory’. There is disagreement about the precise application of grounded theory (Hunter and Kelly, 2009). The idea is that theory develops from data rather than using the data to test a theory. However, the authors who first introduced the methodology differ in their interpretation: Whereas Glaser states that there should be no use of the literature before the empirical work, Strauss believes there should be a theoretical starting point and that the research should be deductive rather than inductive (Hunter and Kelly, 2009). This research follows the approach of Strauss since it is based on certain propositions of the CA but seeks to adapt this theory reflexively based on the data. The interdisciplinary nature of this project may not have been fully accounted for in discussions on grounded theory. However, what seems clear is that the choice of a case study methodology is appropriate because it allows me to explore the theory based on empirical findings; or as Herbert writes:

“Besides enabling exploration of the deeper workings of socio-spatial life, case-studies promote the high calibre discussion between theory and data....Deep familiarity with a single case makes it easier to move continually between theoretical propositions and empirical findings; one can revise concepts in light of ongoing research, and redirect the research with evolving concepts” (Herbert, 2010, 75)

Although the case study approach has increased over time and become an accepted or even dominant methodology, it does have several disadvantages that need to be considered. Firstly, if the strength is to deeply understand a particular case, especially through qualitative work to arrive at ‘thick descriptions’, this presumes a significant time commitment. It may require a large number of interviews and secondary sources, data which takes time to obtain and is not always available immediately. Secondly, case study approaches have been criticised for lacking methodological vigour, where “the investigator has been sloppy, has not followed systematic procedures, or has allowed equivocal evidence or biased views to influence the directions of the findings and conclusions” (Yin, 2009, 14). The problem is that other methods can more easily be followed with methodological vigour due to their nature (e.g. surveys and quantitative modelling). The procedures followed in this explorative case study are described below but it is fair to say that they were influenced by practical limitations. The empirical work took place in another country for a limited time period. During the research period it was necessary to get to know the case from (almost) scratch, design and implement detailed fieldwork and report. Whereas every effort has been made to avoid being influenced by particular views or coincidental events, it is simply not possible to unearth all the information which would have undoubtedly improved the case study. On the other hand, whereas case studies may require deep knowledge of the region, an outsider’s perspective can be advantageous when it comes to the analysis as it can be more objective. One interviewee who has lived in Alentejo all his life dismissed ideas from so called ‘experts’ in Lisbon, even though they themselves know the region well. A mixture of empathy and objectivity has therefore been required to understand the case study and avoid traditional methodological prejudices against this approach.

Another disadvantage that is often mentioned about case studies is the difficulty of generalizing from the results. In geography, the specific characteristics of a place may make one theory or approach correct, but could be completely irrelevant to another. The economies of old industrial regions are for example clearly different to those traditionally dominated by agriculture or to global financial centres. Similarly, since cultural and societal factors are recognised as influential to political and economic outcomes, how can theories based on case studies in Northern Europe be applied to the South or those of Western Europe to former Communist countries in the East? This is a valid point but one which can be overplayed. A case study can still add to a theory even

if it cannot be statistically generalised across cases (Yin, 2009). Moreover, a similar critique can be made about other methods and it is difficult to find empirical research which proves conclusively the propositions of ‘grand theory’. In fact, most theories survive because of the absence of falsification, for which case studies have an important role to play because even if one case fails to follow a theory then it cannot be generalised. Finally, the issue is less important for this project because of the nature of the CA itself. As noted, functionings and the capabilities needed to achieve them may vary across societies, economies and individuals, who make reasoned choices about their preferences, and therefore the CA does not attempt to generalise.

The only relevant factor is that the data collected can show the extent of a given capability and different types of indicators may be used depending on the context (De Muro, 2010). In fact, case study research is advantageous for the CA. Sen insists on the need for empirical research into how social and economic processes operate, rather than making generalised judgements on subjects such as the operation of the free market. He writes, for example that, “after acknowledging the role of trade and exchange in human living, we still have to examine what the other consequences of market transactions actually are....There is no escape from the necessity of critical scrutiny” (Sen, 2001, 126).

In summary, using a case study approach fits the nature of the research questions. It enables a deep analysis of whether geographical characteristics affect capabilities. Although the context of the case study may mean that specific geographical characteristics affect capabilities in a way that is not found elsewhere, this does not mean that conclusions cannot be made about the extent to which geography matters to capabilities. Limitations such as time and positionality which may have influenced the quality and quantity of data have to be taken into account. However, this has to be set against positive factors such as objectivity held by the outsider and the willingness of people to speak more candidly to a foreigner. I now turn to the question of how and why the case of Alentejo was chosen.

3.2.2 Selecting the case

The first decision was whether to study multiple cases or a single case. My initial impulse was to select two cases of contrasting characteristics such as the Lisbon or Oporto Metropolitan area and a less populated region from the interior. However, I

realised that this would in fact offer little comparative value because of how different they are. The geographic context would override any observations about how institutions may improve the collective capabilities of a region. I was still however attracted to a multiple case study design because this offered potentially more robust data: two similar regions would allow the discovery of independent variables. During an institutional visit at Lisbon University I decided to look at two NUTS III regions: Alentejo Littoral and the Oeste subregion of Central Portugal. As part of a pilot study during this visit I interviewed two local development associations in each region. These interviews showed that such independent variables may be difficult to identify and triangulate. Furthermore, given the time scale of the empirical fieldwork (three months), attempting a multiple case study may not yield the in depth data which seemed essential to answer the research questions. Too much time would be taken identifying interviewees and travelling between regions. There would also be less potential for 'snowballing' (i.e. identifying more interviewees as the research progressed; see below). Furthermore, it has already been explained that given the aim of assessing and developing the CA, the only relevant point was to find data of a geographical nature which improved or restricted capabilities in and of a region. For this aim only one case study was needed.

Selecting which region to finally choose as the case was more difficult as the logical conclusion of the above argument is that any region would be acceptable. The existence or absence of capabilities may vary in different places, for example crime and pollution may impact on capabilities in urban neighbourhoods but access to services would be a bigger issue in peripheral regions. However, there would always be an uneven geographical distribution within each case and therefore the approach could be applied anywhere. After learning more about the Portuguese regions and discussing the possibilities with researchers at Lisbon University I chose the whole of Alentejo as my case study, for the following reasons:

- Geography is an obvious and important limiting but also enabling factor in Alentejo. Immediately visible characteristics including its size, climate, dependence on water resources, low population density and its large agricultural sector suggested that geography must have some impact on capabilities. Furthermore, a brief study of its history shows that it can be described as one of the most 'dependent' regions in Portugal, where outside influences have defined

its development. These two aspects fit with what Yin (2009, 47-48) describes as the “extreme or unique case” as a rationale for selection of a single case study²⁷.

- The sheer size of Alentejo gives scope for comparison within the region, among the different subunits, or what Yin describes as “multiple embedded cases” (Yin, 2009, 59). Whereas many of the regional institutions are the same, local institutions vary which will help to show how multiple scales affect capabilities.
- Alentejo is considered one of the poorest and less developed regions in Portugal. Even though these judgements will be challenged in this thesis, there is nevertheless an impression that Alentejo has lost out compared to other more dynamic regions in Portugal. Several of these successful cases have been studied already, such as the Ave Valley which is Portugal’s equivalent of the Third Italy or the Auto Europe industrial area South of the River Tagus which shows how a region can develop a territorial innovative system (Silva, 1992, Vale, 2004). However, according to my pilot study, Alentejo has too often been written off without adequate research and it seemed that the reasons why Alentejo has failed where others have succeeded needed to be better known. In this sense it follows Bristow’s call for a more holistic view on regional development (Bristow 2005, 2010), since as Bucklund and Sandberg wrote “Research has been suffering from a success bias, primarily concerned with explaining why the winners win and not why the losers lose” (Backlund and Sandberg, 2002, quoted in Bristow, 2005, 297).
- Alentejo was also chosen for practical reasons. It built on my pilot study which had started in the region and my research base would be in Lisbon which is not far from the case study.

Finally, it should be noted that although Alentejo is the case study for this research, the selection came after choosing Portugal to undertake fieldwork. Portugal is one of the ‘Cohesion Countries’ and suffers from the ‘success bias’ described by Bristow. In

²⁷ The other rationales for selecting a single case include: A “critical case in testing a theory” which is also applicable in some way to Alentejo, but the primary aim is not test the theory; a “representative or typical case” which was impossible to find in Portugal; a “revelatory case” which describes a case previously inaccessible to research and does not apply; and finally the “longitudinal case” when the independent variable is time, but in fact this should be a factor in any regional case study (see Yin 2009, 47-50)

addition, the fact that Portugal is a small country that receives much less attention than its neighbour Spain made it seem deserving of research that would help to readdress this balance.

3.3 Methods of data collection

Case studies are not restricted to qualitative data collection, but it is difficult to see how at least in the social sciences it cannot be avoided if the researcher aims to gain an in depth understanding of a case. This is certainly true within Regional Studies if the ontological assumption is that institutions matter in mediating between economic actors and outcomes which can include informal networks, norms and conventions. Furthermore, the ontology of the CA that has put Sen in opposition to mainstream positivist economics is that people's reasoned choices are part of human nature (Corbridge, 2002) and it is not easy to discover the reasons for these choices with other methods. In summary, the choice of qualitative methods such as interviews means that "your ontological position suggests that people's knowledge, views, understandings, interpretations, experiences, and interactions are meaningful properties of the social reality which your research questions are designed to explore" (Mason, 2002, 63). The thesis does use quantitative data from secondary sources, but the primary data is all qualitative and was collected via interviews and analysis of documents.

3.3.1 The advantages and disadvantages of semi-structured interviews

Interviews of a semi-structured nature were considered to be the best method of collecting the type of information needed to answer the research questions, namely stories, opinions, examples and anecdotes to examine how geography affects the capabilities of people living in a place. Unlike other methods such as surveys, interviews enable the researcher to guide the data collection. This was needed to unearth information from a variety of different types of interviews but which could be linked to the analytical framework. In this sense the fieldwork involved "the construction or reconstruction of knowledge more than the excavation of it" (Mason, 2002, 63). The choice of interviews and questions to ask, although retaining an element of consistency according to the research design, was able to be reassessed in a dynamic process from the beginning of the fieldwork, which is not possible with many other methods. Similarly, and from a practical point of view, interviewees provide new contacts for

further interviews through recommendations and references. Finally, interviews are “social encounters” (McDowell, 2010, 158) which enable the researcher to best explore relationships. If conducted in the right way, interviews can give data about real life experiences; some can be reported but even ‘off the record’ conversations have value in helping the researcher understand the context and improve his knowledge of the case.

There are however disadvantages of interviews, many of which were experienced during the fieldwork. The primary risk is that the interviewee is biased and only hears (rather than listens) what he wants to hear. He may lead the interview in a way that exaggerates particular experiences. The researcher’s positionality may affect the results of the interview. In this case, the affect of class, gender and political perspective were not an issue but my enthusiasm for the analytical approach adopted may have affected the way I conducted the interviews. In the search for data that could show how geography enhances or limits capabilities I may have interpreted information in a way that suited the approach. The limitation is paradoxically linked to the very advantage of this type of method, since “The valuable flexibility of open-ended questioning exacerbates the validity and reliability issues that are part and parcel of this approach” (Berry, 2002, 679). Another related risk is that the method of selecting interviews relied on ‘snowballing’ or ‘cascading’, whereby elites²⁸ at the centre gave me contacts to follow up, such as managers of firms or local politicians. There is therefore the danger that the approach follows the perspective of the elites which recommended and sanctioned the interviews (Welch, 2002). There were other practical limitations to choosing the interview method. As I was getting to know the case at the same time as conducting the interviews, some of them were much less helpful than others. Coupled with the fact that the interviews often involved long time consuming journeys, the method was inefficient. In addition, about half of the interviews were conducted in Portuguese which is not my native tongue and which made the process much harder and less efficient.

Many of the limitations of the interview method were unavoidable in the confines of the time available for fieldwork. More interviews would have helped, as would better knowledge of the region to begin with. Despite the problems the fieldwork was nevertheless engaging, and I can agree with Mason’s advice that “Good qualitative

²⁸ I use the word elite to include EU and national government officials as well as experts and consultants (see list of interviews).

interviewing is hard, creative, active work” (Mason, 2002, 67). The fieldwork also brought up other possibilities for qualitative data collection, once I had understood the context and met people active in the region. For example, focus groups or participant observation have distinct advantages and would have helped to answer the research questions in a more complete and valuable way²⁹. However, overall the data was sufficient and reliable enough for the aims of the research.

3.3.2 Selection and conduct of the interviews

The case study is of Alentejo but the institutions that affect capabilities are at different scales, including the local, regional, national and even supranational levels. The institutions at the higher levels are the central state and the EU whereas those at the lower levels are more diverse, including firms, development associations, politicians and civil society more broadly (see list of interviews in Annex 1). After recognising that it would only be possible to analyse a very small proportion of the institutions affecting capabilities in Alentejo I decided on a strategy that would provide interviews with relevant actors in a systematic manner. The strategy I pursued was to start by interviewing decision makers and administrators in the Portuguese national government and the European Commission, while at the same time identifying academic and other experts. I would then ‘cascade’ down to the regional and local levels. I gained access to many of these ‘elite interviewees’ through contacts made at Lisbon University and through recommendations during the initial interviews – a method sometimes called ‘snowballing’, which can be efficient but also biased (see above). Interviews with regional and local actors were often gained through recommendations made by decision makers in Lisbon. In actual fact the interviews with regional and local actors were more valuable in terms of data collection, but the elite interviews were very useful for contact building.

The interviews were, to quote an often used expression, “conversations with a purpose” (Burgess, 1984, 102) and varied in their formality. Several introductory questions were asked to set the context but also to build a rapport with the interviewee. This was based on advice by Berry, who noted that “The best interviewer is not one who writes the best questions. Rather, excellent interviewers are excellent conversationalists” (Berry, 2002,

²⁹For example participant observation of EU funded programmes had already been usefully applied in previous research (see Edwards 2007).

679). While acknowledging this advice it was also important to keep the conversations on track, which I did with a crib sheet made of questions and prompts (attached in Annex 2). The crib sheet was prepared in advanced and translated into Portuguese – a task that had to be approached with care to avoid linguistic misunderstandings. At first a translator was used because I feared that a lack of fluency in Portuguese would unacceptably impede data collection. However, it became apparent that this fear was unfounded as the translator was often bypassed. In addition, the presence of a third party may have in fact been distracting and made the interviewee less comfortable. To avoid missing any information I recorded almost all the interviews, which all interviewees consented to. The risk of the interviewee not speaking openly was balanced against the need to accurately record responses in another language. However, it must be acknowledged that despite a reasonable level of Portuguese linguistic capability, there is an undoubted limitation to conducting qualitative primary research in a foreign language and this should be taken into consideration when assessing the results.

3.3.3 Documentation and other secondary sources

To support the primary data collected through interviews, several documents were collected to provide both qualitative and quantitative information. These documents included government documents and electoral data, consultant led evaluations, annual reports of firms, publications by development associations, newspaper articles and campaign material during the local elections of 2009. In addition, a series of radio programmes featuring political debates among mayoral candidates in the municipalities of Southern Alentejo was used. Most of these documents were surprisingly available on the internet, despite warnings from other researchers who had experience in Portugal³⁰. In particular, documents relating to EU Operational Programmes as part of the Fourth Community Support Framework from 2007-2013 were very easily accessible from a user friendly website, much of which is also in English³¹. The Operational Programme for Alentejo and the Rural Development Programme both have calls for tender and online applications published on their respective websites, a sign that technology is helping to increase the transparency of public administration, an example of an

³⁰ Notably Prof. Stephen Syrett, one of the few experts of regional development in Portugal but whose comments probably reflect his experience of research in the 1990s.

³¹ See www.qren.pt

instrumental capability (see Chapter Six). Other documents were collected in the field, mainly from interviewees and which are not publicly available.

3.4 Analytical Framework

The potentially large number of overlapping capabilities or capability deprivations which may exist in a region could make the data analysis complicated and confusing. Usefully however, the CA as put forward by Sen separates the different values of ‘freedom’, representing a typology of capabilities. The differences between intrinsic (or ‘constitutive’) and instrumental capabilities was reviewed in the previous chapter. It showed how the value of different intrinsic capabilities may vary between cultures and individuals and thus Sen refrains from making a definitive list (in contrast to Nussbaum). Further, the existence of several basic intrinsic capabilities such as the absence of war and bodily integrity also apply less in developed European economies. In agreement with Sen, this is one of the reasons why I have chosen not to structure the thesis around intrinsic capabilities, despite constant reference to the different values of capabilities which is central to the approach. However, Sen does provide a list of five main instrumental capabilities which is useful to structure the analysis. The means to development is less subjective than the ends of development and the five instrumental capabilities can be used to achieve outcomes sensitive to geographical differences. Despite the neat structure, a comprehensive analysis of all five instrumental capabilities does however present a formidable task and requires a potentially large amount of data and a number of different methodologies. As there is less data about transparency guarantees and protective security I chose to integrate these two into Chapters Six and Seven respectively.

The analysis looks at the effect of geographic difference on both intrinsic and instrumental capabilities, based on Sen’s framework as set out most clearly in *DAF*. Table 3.1 summarises the typology of capabilities which I use to analyse capabilities in Alentejo in order to answer the research questions. The table shows that I have also tried to build on Sen’s analysis by attempting to extend the idea of a constructive value of capability. Sen introduces this value in development as freedom principally to describe the role of political freedoms in the comprehension and conceptualization of economic needs. However, as shown in table Table 3.1, the thesis also uses the idea to analyses

the bi-products of other instrumental capabilities. In all three of the following chapters Table 3.1 will provide the basis for the data analysis.

3.5. Conclusion

To summarise, the chapter has shown how the research methodology and specific methods of data collection were chosen based on the aims and research questions of the thesis. These questions required an in depth qualitative enquiry into how geography affects capabilities, not just how capabilities and functionings are distributed across space; a task well attempted by Perrons (2009). The case was selected for both empirical and practical reasons though in reality any region could have been chosen. Embarking on the type of exploratory field work required a real investigation into the case and the inefficient but rewarding method of semi-structured interviewing. The data is as robust as it can be given the type of methods used and the constraints of the research. At least, the experiences provide a better grounding for this type of investigation, which is essential to continue making use of the challenging conceptual framework of the CA. As for the work so far, the thesis now moves on to the substantive part, starting by analysing the multi-level context of its case study.

Table 3.1: Typology of capabilities to be analyzed in a geographical context

Type of capability	Meaning (from Sen's DAF)	Examples (used by Sen)	Geographical issues to analyse
Intrinsic (or 'constitutive')	<p>The primary <i>end</i> of development.</p> <p>The importance of substantive freedom in enriching human life.</p>	<p>Sen presents a selection, not an exhaustive list of capabilities, since they may be culturally different.</p> <p>Examples are nourishment, health, literacy and political participation.</p>	<p>Distribution of intrinsic capabilities over space which has a differential impact on quality of life (e.g. satisfying work, a good environment, social services, leisure and social life)</p>
Instrumental	<p>The principal <i>means</i> of development.</p> <p>Different kinds of rights, opportunities and entitlements which contribute to the expansion of human freedom in general (and thus to development).</p>	<p>Sen lists five capabilities which may also be intrinsic and which overlap, interact, and complement each other.</p> <ol style="list-style-type: none"> 1. Political freedoms 2. Economic facilities 3. Social opportunities 4. Transparency guarantees 5. Protective security <p>(See page 30 for more detail)</p>	<p>Quality and effectiveness of governance at different territorial levels, traditional locational influences on economic activity, access to finance and business services for SMEs, range of employment options for individuals, institutions of economic development, distance to social and cultural opportunities, uneven distribution of social services.</p>
Constructive	<p>Comprehension and conceptualization of development needs.</p> <p>The bi-product of instrumental and intrinsic freedoms.</p>	<p>In DAF Sen only makes the link between the constructive role of political freedoms (e.g. discussion, debate, dissent and criticism) in determining economic priorities.</p>	<p>Leadership and strategies for development, innovation and cross-fertilization in new industries, understanding of social difference and construction of social capital.</p>

CHAPTER FOUR: ALENTEJO IN CONTEXT

“The Alentejo has no shade, except that of the heavens...”

(Traditional Alentejo verse, quoted in Gaspar; *The Regions of Portugal*)

4.1. Introduction

This chapter aims firstly to introduce the case study of Alentejo and its national context, in order to provide the background for analysing the region’s capabilities or ‘freedoms’ in the following chapters. However, in parallel it also aims to identify and analyse the structural factors which inhibit or allow the development of capabilities, such as historical path dependencies and constitutional provisions for local government. Before focusing in on Alentejo in the rest of the thesis, this chapter looks at all scales including the national and European regulatory frameworks. As explained in Chapter Two, what would make a capabilities approach to local and regional development different to the endogenous development paradigm is not to *ex ante* privilege a geographical scale; it may be that the national or supranational political economy has a greater impact on capabilities of specific places.

The chapter is divided into three parts, which broadly follow a top to bottom geographical analysis. The first part is a summary of the current position of the Portuguese economy and its geographical development, starting with a brief political and economic history.³² The second part unpacks the state, including its territorial structure and provisions for local and regional governance. This analysis leads to some observations about the effect of the central state on regional capabilities which are later revisited in the regional analysis of political freedoms (Chapter Six). Finally, the chapter focuses on Alentejo, identifying path dependencies that continue to affect regional capabilities as well as new challenges and opportunities. It finishes by posing

³² The historical context of course stretches further back, but due to space limitations, earlier history is only referenced to support specific cultural arguments in the thesis. For a full history of Portugal until the nineteenth century see the two volumes by A.R. Disney (2009), or for more journalistic accounts see *The First Global Village* by Martin Page (2002) or *The Portuguese: A Modern History* by Barry Hatton (2011)

the question as to whether Alentejo can be empowered to free itself from various political and economic dependencies.

4.2 The macro and space economy of Portugal

4.2.1 A brief political and economic history

Portugal can be described as a late industrialising country, and its recent economic history is one of rapid integration into the global economy after a period of isolation.

Map 4.1: A map of Portugal showing the administrative *distritos* and their capitals

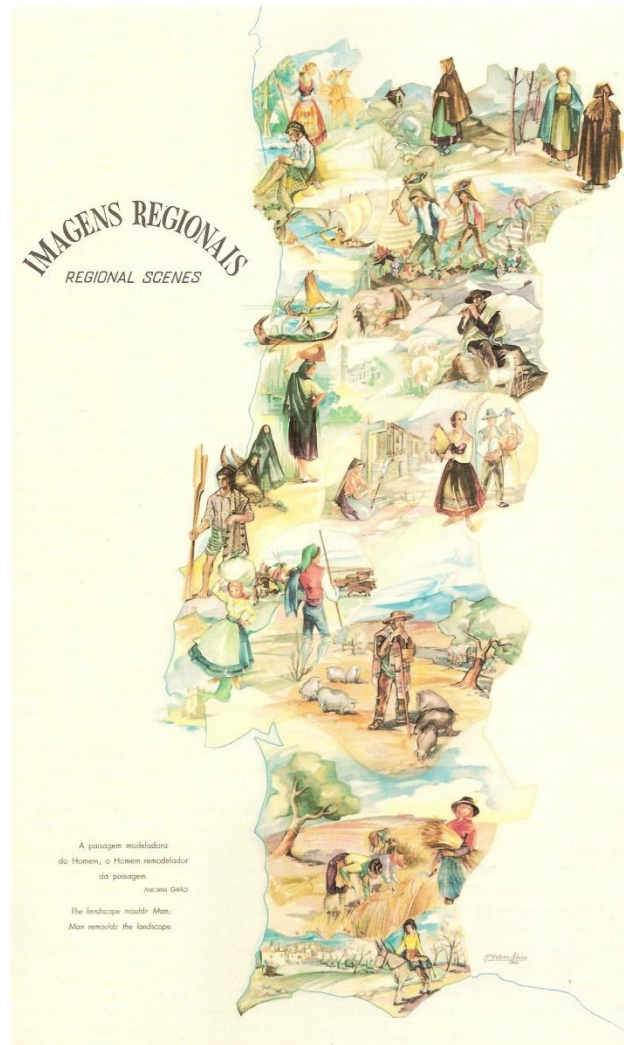


Source: www.geology.com

Paradoxically, the country's imperial past and proud maritime history made the Portuguese national consciousness open and international, leading one commentator to describe it as "The First Global Village" (Page, 2002). However, according to one interviewee, "Portugal never really had an industrial revolution" in the nineteenth century, and nor did it have a political revolution following the Jacobin uprising in France, two trends which shaped most European countries. This contributed to a much more tumultuous twentieth century, when Portugal's economic development was shaped decisively by political events.

After a relatively peaceful overthrow of the Monarchy³³ and the establishment of the Republic in 1910, there was a political vacuum in the following fifteen years as Portugal made a stuttering start to democracy. With 47 different governments, unpopular anti-

Map 4.2: A map of the Portugal illustrating its traditional regions



Source: Gaspar (1993)

clericalism and mounting debts, as well as a wave of right wing nationalism across Europe, a military coup replaced the democratic regime in 1926. It's first President General António Carmona quickly devolved real power to his finance minister, António de Oliveira Salazar, an economics professor at Coimbra University. After cutting the national debt, Salazar became Prime Minister in 1932 and remained in the post as an effective dictator until his death in 1968. This marked the period known as the *Estado Novo* ("New State"), a term developed by the authoritarian regime itself, and which lasted until the revolution of 1974.

The *Estado Novo* can be described as a mixture of fascist authoritarianism with a traditionalist and integraralist outlook. Although similar in some ways to the Fascist regimes in Spain, Italy and Germany, including a secret police (PIDE) and Black Shirts style militia (Legião Nacional) the *Estado Novo* was not expansionist and used considerably less violence (Linz and Sepan, 1996). Salazar was a staunch Catholic and used the state to support the traditional institutions of the church and the family, under the motto 'Deus, Pátria e Família' (meaning God, Fatherland and

³³ Although King Carols I was assassinated in 1908, his successor King Manuel II fled to London in October 1910, leading to the abolishment of the monarchy with minimal resistance by the old regime (Page, 2002).

Family). After a sudden stroke in 1968, Salazar was replaced by Marcel Caetano who despite being a reformist in some aspects was unable to quell the political unrest at home and in Portugal's colonies, leading to a leftist military revolution in 1974³⁴. While the negative legacy of the *Estado Novo* is widely accepted, it remains a controversial subject in Portugal and in 2007 Salazar was voted as the most popular historical figure by viewers of the state owned television channel RTP³⁵. Together with the negative consequences of the 1974 revolution, especially the occupation of land and property, Portugal's post war history has created sharp and destructive social and political divisions between left and right and among social classes.

The economy of the *Estado Novo* performed outwardly very well, especially in the 1960s after Salazar's autarkic policies were gradually abandoned (Corkill, 2002b) and Portugal benefited from trade, tourism, foreign investment and emigrant remittances (Leite, 2006). In fact, between 1960 and 1973 per capita GDP increased from just 38% to 56.4% of the EC average (Linz and Sepan, 1996). However, much of the dividends from this period of economic growth were wasted on the long and costly war in the colonies (Corkill, 2002b), depriving the country valuable investment for the future. In addition, one of the main negative legacies from the *Estado Novo* stems from the system of corporatism pursued by Salazar, largely based on an ideological rather than economic logic. The period of dictatorship led to a suppression of collective initiative and a culture of dependence. This is one of the reasons, according to several interviewees, for a lack of entrepreneurial culture amongst the Portuguese population today.

Table 4.1: Portugal's insertion into the global economy

First phase	1959 – early 1970s	EFTA, World Bank, IMF (1960), GATT (1962)
Second phase	1972 – 85	Trade agreement with EC9 (1972)
Third phase	1986 – 99	EC accession (1986), ERM (1992), Iberian market
Fourth phase	post-1999	Eurozone member, business internationalisation

Source: Corkill (2002b)

³⁴ Caetano fled to Brasil and never returned.

³⁵ <http://www.nytimes.com/2007/07/23/world/europe/23iht-salazar.4.6790015.html>. The RTP show was styled on a similar vote in the UK on the BBC, which was won by Winston Churchill.

The latter period of the *Estado Novo* was the beginning of Portugal's insertion into the global economy, which became even more rapid after the return to democracy. As Syrett (2002b) writes, "Fundamental changes that in other European countries took place across half a century or more have been compressed into little more than two decades". Corkill (2002b, 26) identifies four phases in the internationalisation of the Portuguese economy (see Table 4.1). The first phase was signalled by membership of the main post war international economic institutions (EFTA, World Bank, IMF and the GATT, forerunner of the WTO). A trade agreement with the EC in 1972 was followed by membership negotiations and eventual accession in 1986. This represented Portugal's return to Europe after a period in which Salazar had attempted to create a Portuguese trading space among its colonies. As a result trade increased substantially with EC members, especially Spain³⁶ and also brought significant changes. The single market project launched at about the same time as Portugal joined the EC created opportunities for Portuguese firms to expand abroad, but also exposed the country's economy to competition, experienced most intensely in traditional sectors. The negative effects were offset to a certain extent by pre- and post- accession aid followed by the structural and cohesion funds, from which Portugal has received more than €50 billion since joining the EC³⁷ (OECD, 2008, 15). Portugal's European vocation was confirmed when it signed the Maastricht Treaty and became one of the first countries to participate in Economic and Monetary Union in 1999.

A stable political environment and EU membership has been the basis for Portugal's economic and democratic development. Since 1987, all governments have completed the four year term apart from the most recent and there have only been three presidents. The main macro-economic indicators have improved more or less continuously and the gap between Portugal and the rest of the EU has narrowed. There have been important structural reforms, especially related to privatisation and the labour market (Corkill, 2002b). Portugal has embraced internationalisation with successful FDI flowing in both directions, which has been attributed to the country's historical openness. In fact, strong

³⁶ By the late 1990s 80% of Portugal's foreign trade was with EU countries. Spain had become the second most important export market for Portuguese goods and its principal supplier (Corkill, 2002b, 29).

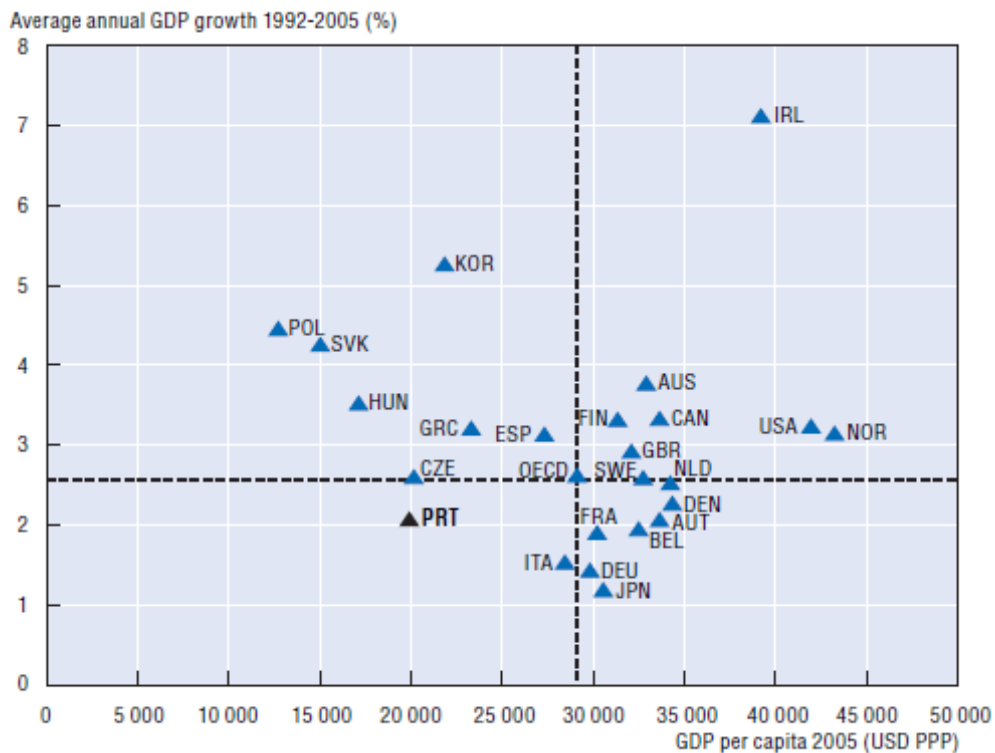
³⁷ This figure does not include the €21.5 billion allocated during the current programming period

growth in the 1990s led some commentators to hail Portugal as an ‘economic miracle’, suggesting it should be used as best practice for the future enlargement of the EU.

4.2.2 Current situation and future outlook

The economic growth of the 1980s and 1990s has however slowed considerably in the last decade. This can be explained by a number of factors: Firstly, the recorded growth was from a low base; GDP per capita in 1980 was only 50 % of the EU’s average. Secondly the economy was helped considerably by foreign investors who saw opportunities in an emerging economy underpinned by political stability and EU membership. Thirdly, Portugal’s competitive advantage was based largely on its relative low wages compared to the rest of Europe, a factor which has been substantially

Figure 4.1: Income and growth levels in OECD countries



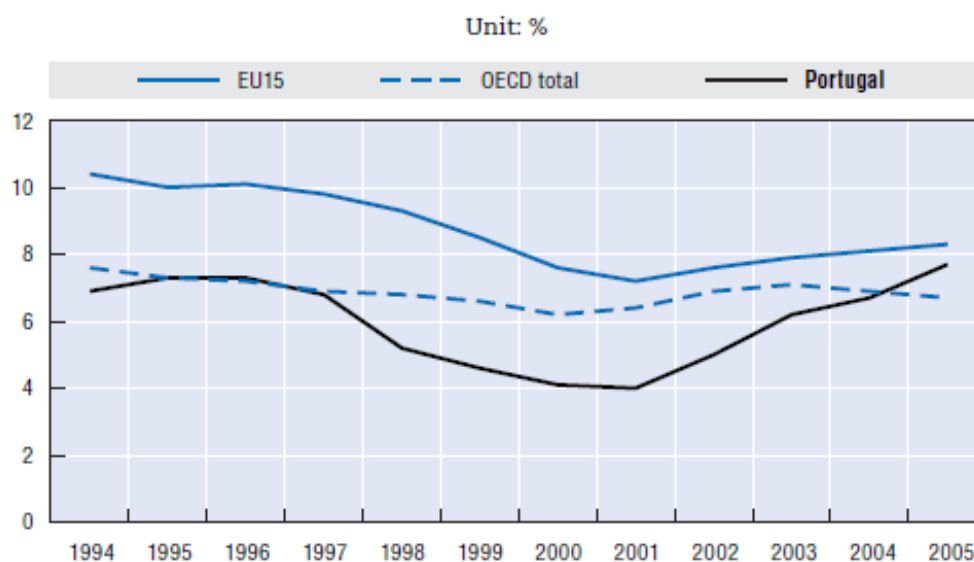
Source: OECD (2008)

reduced because of the EU’s enlargement and trade policies, with cheaper labour becoming available in emerging economies elsewhere. Figure 4.1 shows that Portugal is in the unenviable position of having the lowest growth levels of the OECD’s low income countries. Above all, Portugal’s recent poor economic performance relative to other European countries highlights persistent structural weaknesses, of which the two most serious are a poor education system and a large an inefficient public

administration. They have resulted in more worrying economic trends over the last decade, namely a rise in unemployment and a national debt crisis.

In the twentieth century Portugal managed to avoid high levels of unemployment (see Figure 4.2), the curse of many European economies, but this can be accounted for in part by low wages. However, in addition to the removal of this competitive advantage, the emerging post-Fordist, highly differentiated and service dominated economy has led to more short term contracts and precarious employment (Gaspar et al., 1998). In this economic model, a skilled and educated workforce is essential and yet at the turn of the century Portugal had not invested sufficiently in its human capital to provide this. Unemployment is not just a problem in terms of social security costs, but more importantly as Sen points out, is also “a source of far-reaching debilitating effects on individual freedom, initiative and skills” that “contributes to the ‘social exclusion’ of some groups, and it leads to losses of self-reliance, self-confidence and psychological and physical health” (Sen, 2001, 21). The combination of insecure employment and low wages facing unskilled workers, especially among young people, is particularly debilitating and a major source of capability deprivation in Portugal (Gaspar et al., 1998).

Figure 4.2: Unemployment rate in Portugal, EU 15 and OECD (1994-2005)



Source: OECD (2008)

The second potentially very serious situation currently developing in Portugal is the large national debt, which unless reduced will deprive the state of the resources needed to build the capabilities of individuals, communities and regions. The problem stems from very large increases in public spending in the last decade coupled with widespread tax evasion, reducing state receipts. Portugal's budget deficit rose to a record 9.3% of GDP in 2009 and its national debt is expected to reach more than 85% of GDP in 2010³⁸. Although the situation in Portugal was at first not considered as precarious as other countries facing sovereign debt crises, especially Greece³⁹, at the time of writing Portugal was implementing difficult austerity measures as part of a loan arrangement agreed with the EU and the IMF. These measures include a 'crisis tax' of the usual 14th month salary at the end of 2011 and increases in VAT; two measures that directly affect the poor and reduce capabilities. Moreover, the recently elected PSD-PP government announced the biggest cut to spending in fifty years.

The Portuguese National Strategic Reference Framework (NSRF) for 2007-2013 includes a SWOT analysis, which is summarised in Table 4.2⁴⁰. Portugal has undoubted strengths, including its geo-strategic position, strong links with former colonies that are now emerging economies, and many natural resources. The main weakness however is a poorly qualified labour force following years of under investment which prevents Portugal from capitalising on these strengths. One of the main features of the latest NSRF is a significant rise in funding for education and skills enhancement. This may help to improve a chronic structural weakness that has been identified for some time (see for example Syrett, 2002b). As for the opportunities, they do not appear very specific to Portugal which begs the question as to how the country can distinguish itself in the global economy. Moreover, in addition to the negative financial environment, several major threats remain, including the exposure of its low wage economy to international competition and the foreseeable reduction in EU structural funds which have subsidised many parts of Portugal for the last twenty five years.

³⁸ Source: <http://www.eubusiness.com/news-eu/portugal-economy.2fc/>

³⁹ See for example ECB press release after Governing Council in Lisbon on 6 May: <http://www.ecb.int/press/pressconf/2010/html/is100506.en.html> and write up in the press: <http://blogs.ft.com/money-supply/2010/05/06/ecb-feels-the-heat-in-portugal/>

⁴⁰ Given that the SWOT analysis was drafted by the government, it cannot be considered independent.

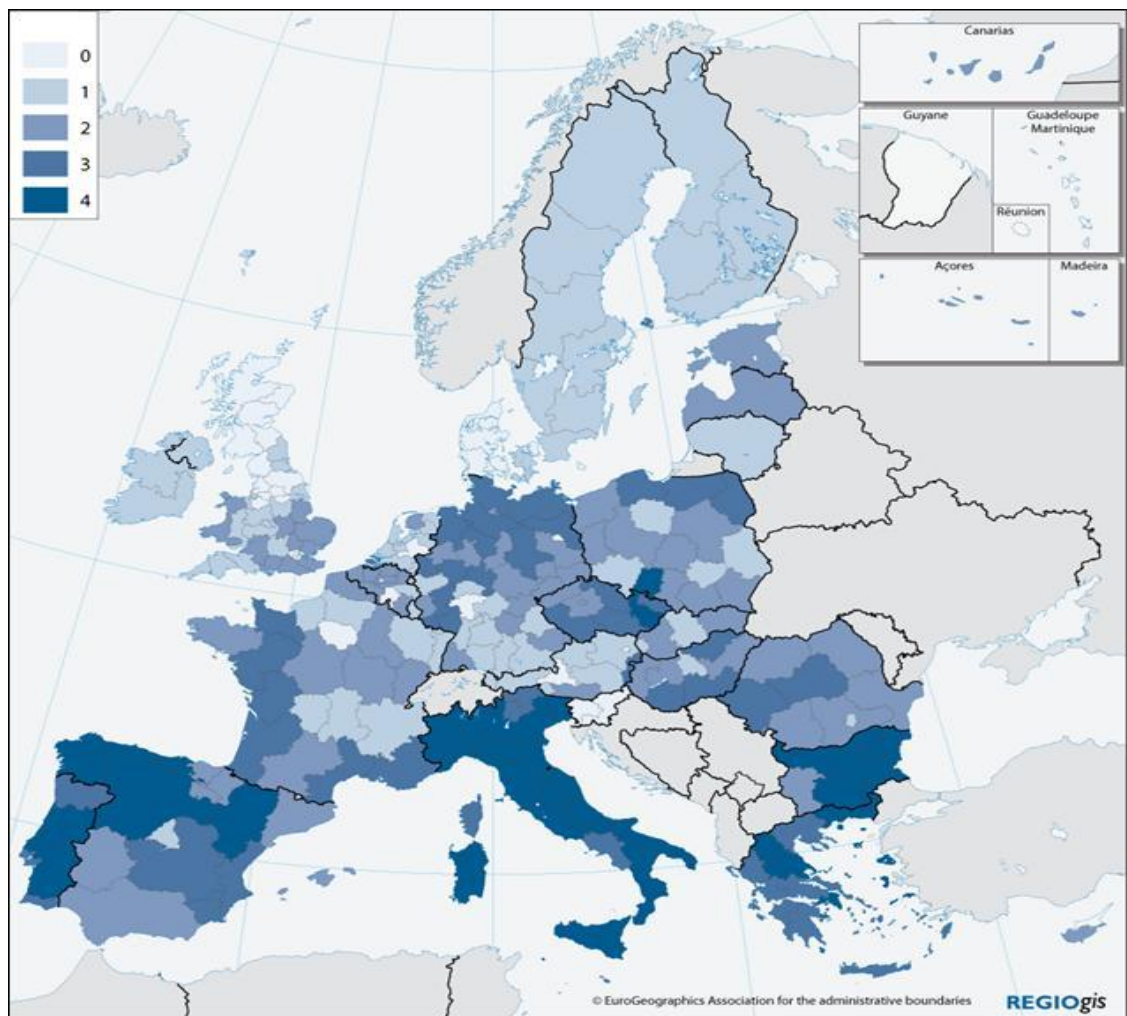
Table 4.2: Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis of Portugal in 2007

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Increasing export orientation of industrial firms • Emergence of internationally competitive firms in fields of high growth potential (particularly in high technology sectors) • Evidence of restructuring and adaptation to the global economy, including development of value chains of specialised SMEs • Historically low levels of unemployment and high levels of participation, especially among women • High levels of physical infrastructure • Diversity of natural resources and high potential in renewable energies • Favourable climate and quality of landscapes a source of attraction for tourists and inward migration • High levels of natural, historical and cultural heritage • Atlantic position and links to Portuguese speaking countries (e.g. Brazil) 	<ul style="list-style-type: none"> • Reliance on sectors vulnerable to changes in demand and strong cost competition: Labour intensive and low qualified industrial activities • Organisational inefficiency including poorly structured networks • Insufficient capability of companies to incorporate the results of technological innovation • Lack of interconnections in regional innovation systems • Low levels of R&D compared to other European countries • Low levels of basic education and high levels of school abandonment • Low qualification levels of staff in both public and private sectors • High inequalities in the labour market (salaries and job security) • Difficulties in introducing public sector reforms • Organisational rigidity / hierarchy in public sector • Small size of non-metropolitan urban areas limits agglomeration benefits
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Geostrategic potential to provide intercontinental linking platforms • Growing demand for tourism based on unspoilt coast and good climate • Increasing demand for goods and services in emerging economies, especially those linked with Portugal • Greater focus on the oceans as a source of resources • Establishment of irrigation infrastructure • Greater economic integration with neighbouring Spanish regions 	<ul style="list-style-type: none"> • Competitive emergence of new economies onto global market • Vulnerability to changes in demand, especially in services (e.g. tourism) • Structural context of low real wages • Foreseeable reduction in structural funds with continued EU enlargement • Reliance on road transport for goods within the EU • Competition with Spanish industry, especially in logistics • Insufficient territorialisation of the CAP along regional specificities • Financial difficulties in completing major infrastructure projects

Source: Summarised from CSF III Observatory (2007)

As for the future, the challenges Portugal faces appear to be bigger than most other European countries. This is shown in *Regions 2020*, a staff working document of the European Commission which analyses the regional impacts of four major challenges: Globalization, demographic change, climate change and energy supply (European Commission, 2008b). A synthesis of these challenges is presented in Map 4.3 below, which illustrates how many will seriously impact on the EU's regions (from 0 to 4). Along with parts of Spain and much of Italy, the Portuguese regions of Alentejo and Centro face serious impacts in all four of these future trends, with the other five NUTS II regions challenged by three.

Map 4.3: A map of Europe showing the intensity of regional challenges



Source: European Commission (2008b)

4.2.3 Inequalities and development

Whereas it is possible to make some predictions about the consequences for capabilities based on macro-economic data, overall the structural indicators do not show the full picture of Portugal's socio-economic situation, nor can they predict how the country will cope in a more uncertain global economy with such challenges as rising oil prices, environmental pressures and international crises. The rapid process of economic and social change has not benefited all groups equally, and has been experienced in very different ways (Gaspar et al., 1998, Syrett, 2002b). The emergence of a professional urban middle class with sophisticated consumption patterns is in contrast to several 'losers' in the process, including the elderly on very low state pensions⁴¹, uneducated young people and immigrants (Gaspar et al., 1998). Social inequalities, which are very often territorially based, are not evident from traditional economic indicators, and yet as was argued in Chapter Two, they provide a barrier to the enhancement of capabilities in communities and regions which can be better built with sustainable and balanced economic development.

An attempt to quantitatively measure development in a more holistic manner was attempted in the Human Development Index (HDI); a measure created by a UN research group led by Sen. In 1999 the Ministry of Planning in Portugal amalgamated the various social and economic criteria of the HDI and applied it to Portugal. The results show that there is considerable variation in the level of HDI between the developed urban and coastal belt and the rural interior. A high level of inequality within social groups is also a persistent feature of the Portuguese economy, which is shown in the HFI reports published annually by the UNDP⁴². The 2006 report showed that Portugal had the highest level of income inequality within the EU. Moreover, as illustrated in Figure 4.3, Wilkinson and Pickett (2009) show that high income inequalities in Portugal correlate with a very poor score on their index of health and social problems. Moreover, their data suggests that high inequalities lead to low levels of trust, which as discussed in the previous chapter, is an essential element of social capital. In fact, Figure 4.3 shows that Portugal has the lowest levels of trust in the OECD by some distance which correlates with its high position on the scale of income inequality.

⁴¹ In 1998 the Portuguese state pension was the lowest in the EU, at one third of the European average (Gaspar et al., 1998, 67).

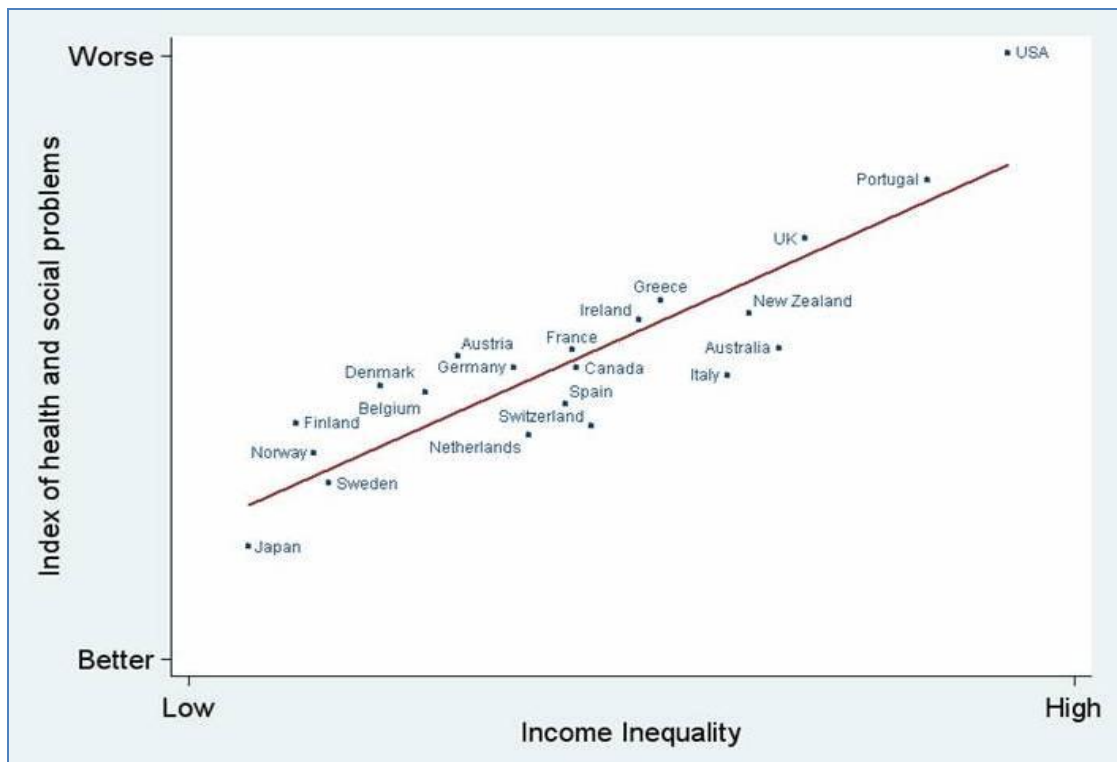
⁴² The reports and country profiles can be found here: <http://hdr.undp.org/en/reports/>

Figure 4.3: The relationship between trust and inequality in the OECD



Source: Wilkinson and Pickett (2009)

Figure 4.4: The relationship between health and social problems and inequality in the OECD



Source: Wilkinson and Pickett (2009)

4.2.4 Space economy and regional development

Portugal has acute problems of uneven regional development, resulting from its geography but also its political economy and until recently the lack of spatial planning. The most obvious manifestation is the coastal – interior divide, with the vast majority of the population and economic activity to be found on a strip of land between the Minho region in the North and Setubal in the South⁴³. This trend has been reinforced by the rapid economic and social change of recent decades, with manufacturing industry and then a growing service sector concentrating around the two main metropolitan areas of Lisbon and Oporto (Gaspar et al., 1998, Syrett, 2002a). Moreover, the trend does not appear to be reversing; on the contrary, there is a growing demographic centralisation in the greater Lisbon area⁴⁴ causing problems of congestion, negative social behaviour including crime and urban poverty. Inversely related to urbanization is the significant problem of depopulation in the mostly rural interior, with several regions having some of the lowest levels of population density in the EU, notably Alentejo. Depopulation, especially of the youth, deprives regions and localities with the human capital on which many development strategies depend. It also has serious consequences for social cohesion.

Until Portugal joined the EU there was no regional policy in any meaningful sense (Syrett, 2002a). Under Salazar regions were treated simply as resources for the national dictatorship, with economic functions divided among the country according to its corporatist ideology. After the revolution the priorities were political and economic stability rather than the reduction of regional inequalities, and in fact centralisation and state ownership favoured this objective. With EU accession Portugal became eligible for large amounts of structural and cohesion funds, but which obliged the government to design national and regional development strategies approved by the European Commission (Syrett, 1997, 2002a). To begin with the funds were used primarily to reduce the gap between Portugal and the rest of the EU rather than to tackle inter-regional disparities (Syrett, 2002a). A large proportion of the funds were used for big infrastructure projects, especially to upgrade the country's transport network. While this

⁴³ 40% of the population lives in 4% of the national territory (CSF III Observatory, 2007, 33)

⁴⁴ A recent project funded by the EU's ESPON programme shows that, while urbanization is a continuing trend in most European countries, those in the 'core' parts of Europe are experiencing reurbanization of the city centres, in the periphery including Lisbon, the trend is towards urban sprawl.

was considered a necessary starting point, “many asked whether progress should be measured solely in terms of cement and asphalt” (Corkill, 2002a). The current programming period finally recognises the need to invest heavily in skills and education (CSF III Observatory, 2007), a change characterised by one interviewee as a shift in emphasis from “hardware” to “software” (Fredrico Lucas, Lisbon, 22nd September 2009). However, many share the opinion that the use of European funding for national competitiveness objectives at the expense of regional development is still a problem, which can be illustrated by the “single document programme” and the proposed TGV network.

Continued inequalities among regions, the apparent failure of infrastructure programmes targeted at ‘cohesion’, and the new political impetus at EU level towards competitiveness based on the Lisbon Agenda has led to a significant change in Portugal’s approach to regional policy. This is reflected in the National Strategic Reference Framework (*Quadro de Referência Estratégico Nacional*) for the programming period 2007-2013, which explains the view of the Portuguese government as well as the opinions of the European Commission:

“A close look at the main movements of convergence and divergence in the Portuguese regions allows us to conclude that the advances achieved in the area of cohesion, in particular via the generally registered improvements in the provision of facilities and infrastructure, contributed necessarily to the reduction in the needs that were verified in these fields in many regions of the country, but they did not reverse – and neither did they alter, given the nature of the corresponding public policies – the processes of depopulation and consequent weakening of the local and regional economic bases, or contribute in any relevant sense to the attraction of investment and creation of jobs” (CSF III Observatory, 2007).

In order to meet EU guidelines on simplification and financing there are only three thematic Operational Programmes in the new period; Territorial Enhancement, Human Capital, and Factors of Competitiveness. It is also notable that all three are highly geared to the upgrading of the economy (OECD, 2008). Based on a reading of Sen’s work in Chapter Two, it could be argued that the new emphasis in regional policy suggests that the Capabilities Approach (CA) does not help in promoting regional development in Europe. He would argue that cohesion is a requirement for competitiveness. However, the NSRF describes cohesion in terms of the “provision of

facilities and infrastructure”, rather than investment in health and education, which according to Sen can provide the basis for sustainable economic development.

4.3 Local and regional governance in Portugal

4.3.1 Continuity and centralisation

Portugal is an example of an asymmetrically devolved state, because the two archipelagos of the Azores and Madeira have elected regional governments but the majority of its territory; the continental part, is unitary. In common with the United Kingdom (the only other example of asymmetric devolution in the EU), state functions of the unitary part are highly centralised in the capital city. In addition to other spatial economic and social factors discussed above, this has also contributed to a growing concentration of population in Lisbon. The enduring importance of the central state can be explained by three factors; Portugal’s national identity based on a common history, the legacy of the authoritarian *Estado Novo* and a lack of political leadership to decentralise powers.

Portugal has a strong national identity and unity based on a long history, common language and religion, independence from its larger neighbour Spain and its colonial past (Gaspar, 1993, Baum and Friere, 2003). Portugal claims to be the oldest nation-state in the world; its territorial borders have remained the same since the thirteenth century when the Moors were finally expelled from the Algarve⁴⁵ (Disney, 2009). The Christian reconquest has remained a symbolically important part of the country’s history and since then Catholic Christianity has been the only major religion, which although is not professed openly to the same extent in recent times, is still an “underlying element” of Portuguese identity (Gaspar, 1993). Unlike many other European countries there are no ‘historic nationalities’ with their own separate languages and cultures (Keating, 1998). Until recently there has been very little immigration, which has preserved cultural homogeneity. On the contrary, like Ireland one of Portugal’s most famous exports is its people (mostly economic migrants) and there is no a large international diaspora, mainly originating from Portugal’s interior.

⁴⁵ The ‘birth place’ of Portugal is Guimarães in the North from where the first King of Portugal Afonso I proclaimed independence from the Kingdom of León in 1139 and started the Christian reconquest. The borders have remained the same since the Treaty of Alcanices in 1297.

National identity and a common purpose were strong themes during the *Estado Novo*, when the county became more detached from the wider world, although self-confident according to Salazar, in its ability to “stand proudly alone”. The authoritarian regime centralised power in Lisbon: Although local government existed, it was an arm of central government and essentially administrative, with the municipal presidents appointed by the central state (Silva, 2002). Furthermore, the single party political system and a tight control of social life led to a weak and passive civil society (Birmingham, 2003), which was particularly noticeable at local level (Syrett, 1994). The long period of dictatorship maintained and extended the large peasantry which developed a culture of acceptance (Birmingham, 2003). This legacy is believed to be a significant factor in the low levels of political participation and the lack of ‘forces vives’ (Keating et al., 2003) found in other countries.

Since the 1974 revolution there has been some pressure for decentralisation, although not compared with the situation following the death of Franco in Spain (Preston, 1993). Despite the strong Portuguese national identity there is also great attachment to the locality based on a highly developed sense of place (Gaspar, 1993). As a result, the municipality has become increasingly important in Portugal since democratisation in the 1970s (Baum and Friere, 2003), and is now very significant in terms of local politics and identity (Silva, 2002). However, regional identity is weak and despite inter-regional disparities and a common view of the inefficiency of the central state, there has not been any mobilization at regional level to express perceived territorial injustices (Baum and Friere, 2003). Moreover, since the revolution many political elites have re-invented themselves (Syrett, 2002a) and continue to disregard the local level, and especially the idea of regions. This has been challenged to some extent by joining the EU, which obliged countries to standardise regions for statistical purposes as well as for the implementation of its Cohesion Policy⁴⁶. However, overall decentralisation simply has not been a priority for Portugal’s political leaders. There have been some constitutional innovations in local government, which shall now be explained. However, many problems still exist and yet one of the solutions, which is to strengthen the regional level has not materialised.

⁴⁶ Some authors have argued that cohesion policy has resulted in “multi-level governance” in the EU (Hooghe and Marks, 2003), and that the European Commission insisted on involvement of sub-national authorities in order to weaken the central state, though the extent to which these two phenomena have occurred is debatable.

4.3.2 Local government

After the 1974 revolution the new democratic Constitution of 1976 established the system of local government (*Autarquais locais*) that has not changed significantly until today⁴⁷ (Silva, 2002). It provided for three levels of government; administrative regions, municipalities (*Concehlos*) and parishes (*Freguesias*) but the regional level was never implemented; the reasons for which are explained below. The municipalities are composed of an executive (*Câmara Municipal*), which is led by the mayor (*President de Câmara*) and held to account by an assembly (*Assembleia Municipal*)⁴⁸. More than one party can be elected to the executive and none may gain an overall majority, in which case a joint administration is formed. Moreover, the executive and the assembly are elected according to different procedures, which can lead to different parties holding a majority in each body. This can cause problems in the administration of the municipality and also reduces political accountability, but so far all attempts to change this have failed (Silva, 2004). Between 1976 and 1982 a consultative body made up of local stakeholders was obligatory in all councils, but it later became voluntary and due to its lack of power was eventually abolished. This was an interesting experiment that could have increased participation, and some argue that it should be reinstated.

Local government has recently become more politicised, with members of the executive voting in blocks and under guidance from a central party. In the past local figures would often become mayors whereas now it is usually an individual already involved in party politics. Many believe that this has made local politics more distant from the citizen and the mayors less accountable as their loyalty lies with the party rather than the municipality. The majority party now takes all positions of responsibility, whereas after the revolution it was common to divide portfolios among all the elected members (Silva, 2004). A constitutional innovation in 2001 allowed ‘groups of citizens’ (*grupos de cidadãos*) to participate in elections, which was designed to reverse the trend. There has only been a small proportion of ‘independent town halls’ in the last three elections when it has been possible, though the two in Alentejo have been among the most

⁴⁷ Municipalities and parishes did technically exist during the Estado Novo but they were not elected and had extremely limited autonomy and capacity. Indeed the municipal unit is a very old form of public administration going back to medieval times and the Christian reconquest; many of the the names of the municipalities are based on local history and the names have rarely been changed over the centuries.

⁴⁸ The parishes also have an elected executive (*Junta de freguesia*) and an assembly (*Assembleia de Freguesia*)

successful local authorities in the region (see Chapter Six). Another procedure which has the potential to improve the quality of local democracy is the ability for municipalities and parishes to hold local referenda, which can also be initiated by local citizens (Silva, 2004). Initiated in the democratic euphoria after the revolution, a combination of restrictive procedural conditions and the lack of a participative political culture or tradition of direct democracy have restricted its use to only a few occasions (Silva, 2004). The test of democracy is often measured by voter participation and the high abstention rate in Portuguese local elections may be explained by the centralised and rigid party system (Silva, 2002).

However, others have argued that the major problem with local government in Portugal is related to the lack of competences and financial resources given to the municipal authorities. At less than 10% of the total, Portugal has the lowest proportion of public spending administered by local government in Europe (Francisco, 2007, 20). Although local councils have some responsibilities in a wide range of areas, mostly they have a minor role compared to central government and in reality they are limited to the provision of local services and planning decisions. The functions that they do provide enable large numbers of people to be employed locally, which appears to be the most important factor in municipal elections (based on informal conversations in Alvito). This does create employment in many rural areas that lack opportunities, but is open to accusations of over staffing. The reason why other functions are not performed by the local executives is because the financial resources are not available rather than a reluctance on behalf of central government to devolve power. The Association of Portuguese Municipalities, while in general favours greater devolution, has usually taken the position that they would only support this on the condition of an enlarged budget (Silva, 2002). However, in the current climate of high national debt, it is very unlikely that the central government will increase resources. In fact, there has even been discussion about reducing the budget to local authorities, a move which is deeply unpopular and which led to the Socrates government losing a vote in the national assembly in 2010.

4.3.3 The regional question

As noted, the introduction of a regional layer to sub-national government was provided for in the 1976 Constitution. Its creation has been postponed on several occasions,

because even though the issue has featured in every electoral campaign, once in power all governments have proved highly reluctant to decentralise any aspect of the state apparatus (Silva, 2002). In 1991 a law was passed creating administrative regions after receiving cross party support, but was never implemented after waning interest by the government. The ruling PSD finally withdrew its support, which made regionalization a political issue during the 1995 parliamentary elections. The PS promised new legislation and this was proposed with the support of the Communist Party after winning the election. However, the PSD forced a referendum in 1998; only the second in the country's history, and the proposed administrative regions were rejected by a clear majority, though the turnout was very low at 47.6% of the electorate⁴⁹.

The arguments of those opposed to regionalization were much clearer than the academic and esoteric justifications of the government, which is considered one of the reasons for the rejection (Freire and Baum, 2003). Firstly, there was a populist argument about a threat to national unity, especially in the press, with some commentators suggesting that the biggest winner of regionalization would be neighbouring Spain since Portugal would be weakened. Secondly, the opposition benefited from an anti-politician mood which warned of increased bureaucracy, public spending and corruption in the new regional administrations (Freire and Baum, 2003). Thirdly, there was a technical argument made against the proposed regional map, including concerns over regional boundaries and the fact that regional capitals had not been defined (Silva, 2002); an argument that has since been conceded by those in favour of regionalization. Finally, an interesting observation is that the conservative political culture in Portugal made it easier to promote arguments against the proposals compared to “a step into the new and unknown” (Freire and Baum, 2003).

Under the first government of Prime Minister José Socrates (2005-2009), efforts were made to standardise the regional map of public administration, as part of the Programme of Public Administration Reform (PRACE). A reason contributing to the inefficiency of public administration is that different government departments and service providers have deconcentrated offices and operations based on overlapping territorial boundaries. For example, whereas the Ministry of Environment, Spatial Planning and Regional Development (MAOTDR) have offices based on NUTS II geography, because it is the

⁴⁹ Source: Comissão Nacional de Eleições

Managing Authority for many of the Operational Programmes of EU funds, other ministries and services use the historical districts (*distritos*) based on electoral constituencies. As part of the PRACE, the Ministry of Agriculture has already changed the geographical boundaries of its directorates to NUTS II regions. As noted, disagreement over the political geography of Portugal was one of the reasons for the 1998 referendum rejection. The standardisation of regions for public administration is therefore also seen as a preparatory stage for renewed attempts at regionalization, which the government aimed to pursue in the current legislative cycle, though its lack of a majority may prevent this.

The underlying reason why administrative regions have not been implemented in Portugal is that proposals have always been based on a top-down process of regionalization rather than through the pressure of regionalist sentiment that has been strong in other countries (see for example Keating, 1998). Regionalism is normally based on a strong regional identity or a sense of territorial injustice, neither of which are strongly present in Portugal other than in Alentejo which was the only region to vote 'yes' in the 1998 referendum. Authors who have analysed successful regions in Europe such as the 'Third Italy' have shown how economic success has often been based on "cultural, social and institutional accomplishment" (Cooke and Morgan, 1994). The lack of regional identity in Portugal can therefore be considered an obstacle to economic renewal. The region which would appear to benefit most from greater independence is Alentejo and yet the will of the Portuguese people overall has determined its 'regional renewal'. The suggestion of following the Labour government's model in the UK of offering individual English regions greater independence in an asymmetrical process of devolution attracted some interest in the Portuguese government, though there are constitutional obstacles. The fact that a large majority of the population live in Lisbon and believe devolution will weaken the capital is a problem, and there is therefore a question of how national democracy can restrict the capabilities of individual territories.

4.3.4 Governance of local and regional policy

Despite the failure of regionalization, there is still a consensus that sub-national governance needs to be reformed, mainly to improve the implementation of regional policy (OECD, 2008, Syrett and Silva, 2001). As noted already, accession to the EU and requirements of its structural and cohesion funds was the reason for the creation of

NUTS regions. The NUTS II regions are based around the geographical boundaries of the Commissions for Regional Cooperation and Development (CCDRs), which replaced the Regional Planning Commissions designated in 1969⁵⁰. The Commissions are accountable to both the MATODR and the Ministry of the Interior, and as of 2008 they include an “intersectoral co-ordination council” in order to improve cooperation with other ministries (OECD, 2008). EU rules have also increased inter-sectoral coordination; for example the CCDRs have been responsible for drafting a regional strategy as part of the NSRF process. The responsibilities of CCDRs have therefore increased and become more complex over time, despite a reduction in budget, and are seen by many as the forerunner to regionalization. However, in the meantime they suffer from a democratic deficit as they make important decisions on the region’s future but only have indirect accountability via central government. Moreover, as the government changes every four years so do the leadership of the Commissions, and this has proved disruptive for regional policy making and confusing for stakeholders. Each CCDR does have a consultative body called a Regional Council (*Conselho Regional*) composed of stakeholders, but evidence shows that they have been weak (OECD, 2008). Although the Commissions have the same model in each region, there is scope for a variation in performance. However, overall the evidence shows that although they may have been successful in coordinating the functions of central government and increasing efficiency, they have not performed well as institutions to frame development strategies based on regional strengths. They have been compared to the system in France, and are also similar to government offices in England, including their strengths and weaknesses:

“The CCDR resemble the organisational choice of “prefectures” in France⁵¹ which tends to leave little room for integrating the specific knowledge of local and regional actors (e.g. municipalities, firms, chambers of commerce, business associations, universities, citizens associations) in the policy-making process” (OECD, 2008, 20)

A mechanism that may help to improve participation and information exchange at the sub-national level is an initiative first launched in 2003 to group municipalities into

⁵⁰ The Regional Planning Commissions became the Commissions for Regional Coordination (CCRs) in 1979, and in 2003 merged with the regional offices of the Ministry for Environment and Spatial Planning to become the Commissions for Regional Cooperation and Development (CCDRs).

⁵¹ In France, prefects represent the central government at the subnational level and co-ordinate the action of eight ministries (OECD 2008)

associations. The legislation also introduced ‘Greater Metropolitan Areas’ and can be seen as a “regional fix” in the wake of the referendum rejection⁵² or “regionalization by stealth”. The intermunicipal associations are voluntary and provide financial incentives to cooperate. The associations could initially be formed at flexible geographic levels, but this proved complicated and did not fulfil the objectives. Municipalities decided to group together in obscure patterns based on factors such as political affiliation⁵³ rather than functional cooperation, in order to receive the financial benefits. The law was reformed by the Socrates government in 2008 to encourage municipalities to group together at NUTS III level and offered two major incentives: Firstly, municipalities would be allowed to collect local taxes directly (property tax) rather than via the central government, and secondly they could manage elements of EU funded operational programmes if they prepared a territorial development plan⁵⁴ (OECD, 2008). Municipalities quickly embraced the reform and by June 2009 nearly all had formed associations at NUTS III level, of which the Alentejo regions were among the first. The initial results are positive, since municipalities have started to jointly provide a wide range of services collectively, which it is hoped will rationalise and improve delivery. In addition, substantial parts of the regional operational programmes have been devolved under the supervision of the CCDRs. In terms of economic development, insights from institutionalism and New Regionalism suggest that strategies will benefit if added value can be gained from local knowledge and participation. However, the parameters for municipal cooperation and its geographical limitations are still ‘top-down’, whereas cooperation based on ‘bottom up’ functional linkages may be more appropriate for economic development (OECD, 2008).

In addition to clarifying and strengthening public administration at sub-national level, another initiative aimed at increasing regional capacity in the absence of full scale regionalization has been the creation of Regional Development Agencies (Syrett and Silva, 2001). The RDAs are different to other models in the EU such as the UK, since they are public-private institutions of a much smaller and technical nature, and independent from the state. The legislation providing for their creation is flexible and

⁵² This phrase has been used by Tomaney and Pike (2009) to describe the situation after the failed process of devolution in England

⁵³ The law stipulated that municipalities had to be contiguous but the rules were stretched to include configurations joined by the sea!

⁵⁴ Delegation of managing authority responsibility to local government is provided for by the EU regulations and has been used for some time in other EU countries.

has resulted in a variety of different models; some are limited companies and others NGOs or inter-municipal organisations (though all have to be non profit). By 2000 17 RDAs had been established covering 77% of municipalities, 85% of the land area and 68% of the population (Syrett and Silva, 2001). The most notable exception was Lisbon, where a metropolitan planning agency had already been established in 1991 along with Oporto. The ‘bottom-up strategy’ was conceived to allow RDAs to adapt to local circumstances, and be a counter weight to the ‘top down’ CCDRs (Syrett and Silva, 2001). The intention was to bring together regional actors from different industrial sectors and sections of society to gain agreement on a development strategy independent from narrow political interests. Some warned that the RDA’s independence from the state could be problematic, despite the salutary goal of avoiding political clientelism, since a lack of funding and support could make them “little more than regional consultancy organizations where the need to generate income takes precedence over broader aims of developing and implementing a regional economic strategy” (Syrett and Silva, 2001, 177). The flexible and unclear mandate of the RDAs means that each one has to be evaluated individually, unlike the more uniform nature of the CCDRs. ADRAL, the RDA of Alentejo covers a large area and its role and performance are discussed in the next chapter on economic facilities.

4.4 Introduction to Alentejo

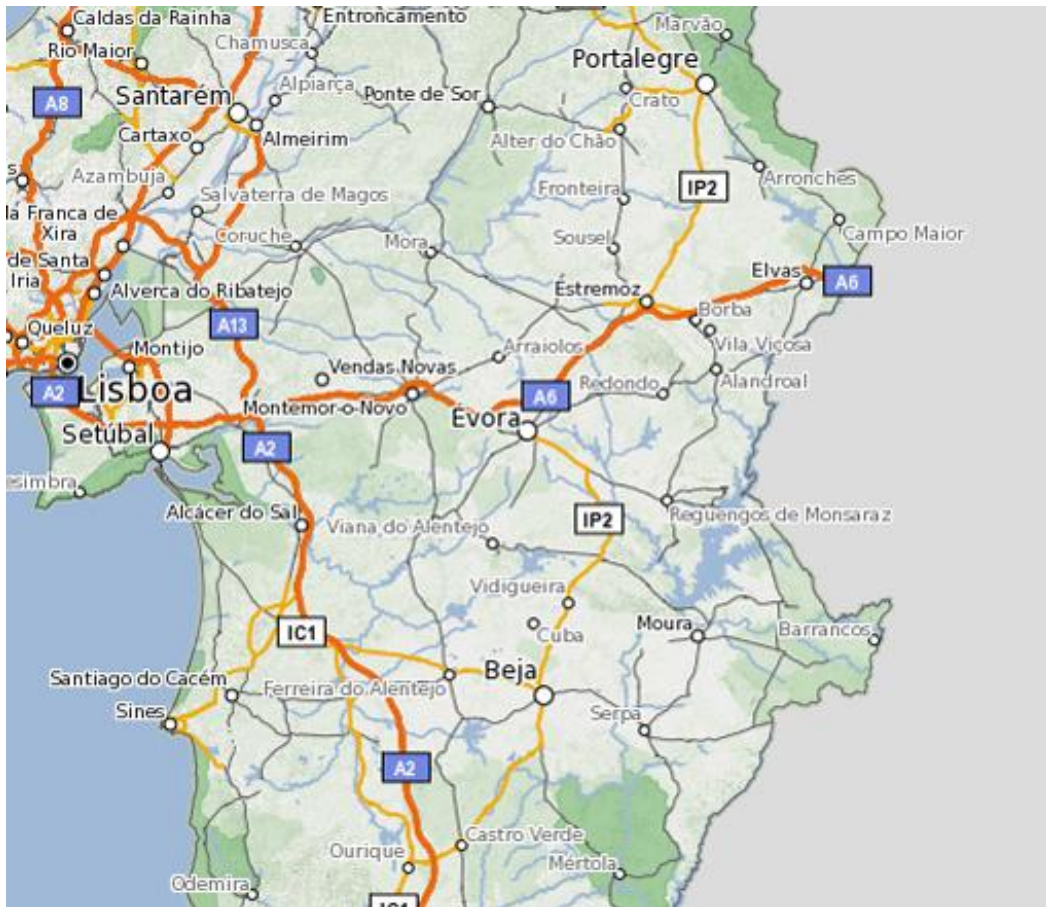
4.4.1 Geography and history of Alentejo

Alentejo in Portuguese means ‘beyond the river Tagus’, marking the traditional boundary of this large region that stretches to the mountains of the Algarve in the South (see Map 4.4), although the administrative boundaries are slightly different⁵⁵. Alentejo has the one of the most pronounced identities of all Portuguese regions, which is based on its connection to the land and its history of struggle and repression. Agriculture has been the principal industry for centuries and still accounts for 16% of its GDP. The landscape is marked by rolling hills and plains covered by cork and acorn trees,

⁵⁵ The Setubal peninsula is not usually considered as part of Alentejo and is part of the Greater Lisbon NUTS II region. There are also localities to the South of the Tagus which are part of the Ribatejo region (e.g. the municipality of Nisa), though confusingly there are also now a large part to the North of the Tagus that belongs to Alentejo purely because of EU funding issues.

livestock, vines and olive groves spotted with agricultural holdings built on hills called *Montes*⁵⁶.

Map 4.4: A map of the Alentejo region of Portugal



Source: ICEP

The climate of Alentejo is more Mediterranean than central and northern Portugal, which are highly influenced by the Atlantic. There is very little rainfall and as a result water has always been an important and disputed resource, despite the two largest rivers of the Iberia Peninsula flowing through its territory; the Tagus and the Guadiana, as well as the two other largest rivers in Portugal; the Sado and the Mira (Gaspar, 1993). Long aqueducts in Évora and Elvas tell of the historical need for irrigation and more recently the Alqueva reservoir, which is the largest in Europe, has completed the long standing Alentejo Irrigation Plan of the 1950s.

⁵⁶ *Montes* literally mean 'hills'; trees are often grouped together into *Montados* to prevent erosion and allow for grazing (e.g. for proco preto – black native pigs – which eat acorns), and are a defining feature of the landscape.

Villages and towns are small and the growth of regional centres of population is a relatively recent phenomenon, since until recently Alentejo had not experienced industrialisation. The largest towns are Évora, Portalegra and Beja which along with the smaller settlement of Santiago do Cacém, are the capitals of the NUTS III regions. Whereas some towns may be growing, the population of Alentejo as a whole is reducing drastically, which along with ageing presents a major demographic problem.

Jorge Gaspar (1993, 141) describes Alentejo as “The Land of Bread and Crises”, since the breadbasket of Portugal was used to feed occupying armies and workforces for generations, and was the site of numerous wars and turmoil. The region was occupied by the Romans and the Moors, which can be seen in the architecture today⁵⁷. In the 1930s and 1940s there were ‘cereal campaigns’, as the dictatorship aimed to be self-sufficient in food production, but which dominated the land and seriously damaged its biodiversity. Together with depopulation, farming became much more extensive and large estates developed through marriages between landowning families. The Latifundia, as the estates were called, also describes the system of capitalist-social relations that dominated the region until the 1974 revolution, and continues to some extent (Caldeira, 2001). The working population included a large agricultural peasantry because on the eve of the revolution between 50% and 60% of the region’s GDP came from agriculture (Barros 1979 quoted in Caldeira, 2001). The latifundia profited substantially during the *Estado Novo*, based on the regime’s autarkic policies shielding the agricultural sector from competition as well as the employment of low cost temporary labourers. Working conditions were exploitative, illustrated by the campaign for an eight hour day in the 1960s, a right fought for in other European countries during the nineteenth century. These conditions also contributed to further depopulation and emigration. Dominance of a small ruling class and the demographic change are thus seen to be crucial in Alentejo’s historical development, as Gaspar (1993, 141) writes:

“Wealth was only understood as the possession of land, urban property and luxuries. No investments were made in industry; no alternatives were created for the times of change. And when this time came, the Alentejo became deserted, wastelands expanded and the old landlords, many of them absentees, were left with the elderly and the less capable.”

⁵⁷ For example the Roman Temple at Évora, or the Castle at Moura (the town means an Arab girl).

Alentejo was a hotbed for workers' uprisings and underground movements in the period before the Communist revolution and today local government continues to be highly influenced by left wing parties, as the population still feels a sense of historical injustice⁵⁸ (André and Abreu, 2009). The revolution and the subsequent agrarian reform promised to reverse this, however it had unintended effects. Moreover, the revolution and its aftermath, including occupation of fertile land, stunted economic growth in Alentejo and a region once on a par with its Estramaduran⁵⁹ neighbours in terms of agricultural development became impoverished. In summary, a complex period of revolution and counter revolution has sharpened social and economic divides in Portugal as a whole, but especially in Alentejo where land and property have historically been defining features of the socio-economic system.

4.4.2 Regional economy today

The tumultuous recent history of Alentejo together with its rapid integration into global markets has according to several interviewees, led to a heterogeneous regional economy. The existence of 'many different Alentejos' has been a common theme during interviews. Several 'hot spots' of economic growth and evidence of innovation exist, including the regional capital of Évora, other parts of central Alentejo in proximity to Lisbon (e.g. the municipality of Vendas Novas), and the port of Sines on the Littoral. Other large towns such as Portalegra, Elvas and Beja also show some positive signs. However, there are large swathes of the region that have been 'left behind' in the transition to a market economy, and have become dependent on state intervention.

Josué Caldeira in particular has argued that Alentejo has become highly dependent on outside forces in its development path, including foreign ownership and traditional locational factors of production, especially distance from Lisbon. Challenging the New Regionalist thesis he writes "In fact, it would be very hard trying to find any sustainable explanation of the changes in this region centring on any *specific* regional processes or factors" (Caldeira, 2001, 65). Instead he maintains that "In the case of Alentejo the evidence clearly suggests that it is the changing forms of relationships between the

⁵⁸ One of the main sites for these uprisings was Lavre, a village in the Municipality of Montemor – o – Nove, where there were numerous strikes and political demonstrations that drew attention for police repression (André and Abreu, 2009)

⁵⁹ Estramadura is a neighbouring region in Spain of a similar size to Alentejo and is also dominated by agriculture,

region and wider spatial structures of production that are generating the current spatial and functional reconfiguration of the region” (ibid). The evidence presented by Caldeira are examples of four firms based in three of Alentejo’s more successful municipalities (Évora, Vendas Novas and Ponte de Sôr). Three of the companies are multi-nationals and the other is one of Portugal’s largest companies headquartered outside the region. There is no evidence presented of firms using the environmental and human resources of the region. The results of Caldeira’s work support the relational thesis in Economic Geography. However, as will be shown, the fieldwork for this research project appears to contradict, or at least balance this perspective with a more territorial approach to the development of Alentejo.

4.5 Conclusion

This chapter has presented the background for how capabilities are experienced by communities and individuals in Alentejo. Firstly, it has shown that the existence of historical path dependencies in the political economy of Portugal and Alentejo frame the context for the development or restrictions of capabilities. More than any other region in Portugal, Alentejo has been affected by political ideologies, from the corporatism of the *Estado Novo* to the revolutionary occupation of land and property. Secondly, the national level remains a highly influential regulatory context for the development of capabilities. Despite rhetoric of endogenous development there is still much evidence to show that regional policy in Portugal is based on large nationally driven projects and an emphasis on physical infrastructure, in addition to a political imperative to subsidise localities. Moreover, there is evidence of a widespread view among the mostly Lisbon based elite that the regions are at the service of the nation rather than the other way round and that since Portugal is a small country regional development does not really matter. This is shown by a political emphasis on spatial planning in the Ministry of Environment, Spatial Planning and Regional Development. The status quo is reinforced by the historically and politically important role of local government (at least symbolically), blocking the development of supra-municipal cooperation. Thirdly, the introduction to Alentejo confirms that it is a good case study in which to explore territorial capabilities. Given the external economic and political dependencies, evidence needs to be found which can ‘empower’ the region to take advantage of its

territorial advantages in a global economy that is already different to the one into which Alentejo was submerged in the 1980s and 1990s.

In this respect, Gaspar's theory about Alentejo based on its historical development could be useful in analysing the region's situation today and in the future (Gaspar, 1993). In fact, it could be an important part of a geographical interpretation of the CA for marginal regions on Europe's periphery: Alentejo has historically profited from international crises, since in times of trouble natural resources become more valuable. For example, international protectionism reduced the supply of foreign wheat and its resources were vital during international conflict such as the colonial wars. In these times Alentejo has fared well, but it has forgotten about its people and not invested for the future, illustrated by the poor education and illiteracy that characterises the region. Today, as the financial crisis has highlighted the fragility of the tertiary sector and unemployment is rising in the main urban areas, Alentejo can be seen as the country's "emergency storehouse" (Gaspar, 1993, 148). The region has not profited from the period of expansion of services such as banking, but instead is based on the 'real economy' which analysts now see as vital to a country's sustainable development. The question is however, whether Alentejo can capitalise on this opportunity and not repeat the mistakes of the past by investing in what matters most for the future, its people and its land.

CHAPTER FIVE:

AN ASSESSMENT OF ECONOMIC FACILITIES IN ALENTEJO

5.1 Introduction

The regional economy of Alentejo shows examples of both ‘capability failure’ and encouraging developments that are increasing the capabilities of both individuals and the region collectively. The main economic facilities according to Sen are the freedom to produce, to exchange (trade) and to consume. This chapter seeks to explore the geographical nature of these different economic facilities, and the extent to which the regional institutional context shapes them. It is worth noting again at this stage that the Capabilities Approach (CA) emphasises the importance of freedom itself, not only because of the instrumental value it may have. This type of intrinsic freedom applies to the role of the market as well as other political and social capabilities; the implication being that humans ‘flourish’ when allowed to freely produce, trade and consume, notwithstanding that these activities can also give material benefits in terms of income (Sen, 2001, 112).

The first part of the chapter assesses and analyses the economic facilities of production, exchange and consumption in Alentejo. It reveals a debate between two different viewpoints; on the one hand some argue that the development of Alentejo’s economy should be based on existing sectors mainly related to land use and that innovative techniques or processes can be found to increase their competitiveness; on the other hand, an alternative view maintains that new and highly innovative sectors of the economy should be developed in the region, and that the reliance on traditional industries would confine Alentejo to a fixed, low value place in the global division of labour. The debate focuses on how realistic certain objectives are and where the sources of development can be found. The second part of the chapter considers how economic activity and wealth is distributed *within* the region. It finds that it is spatially uneven, though the analysis is limited somewhat by the lack of micro-level data and the scope of the project. Finally, the third part of the chapter examines the influence of regional institutions in shaping Alentejo’s economy. In line with recent institutionalist thinking outlined in Chapter Two, institutions are conceived in broad terms to include formal

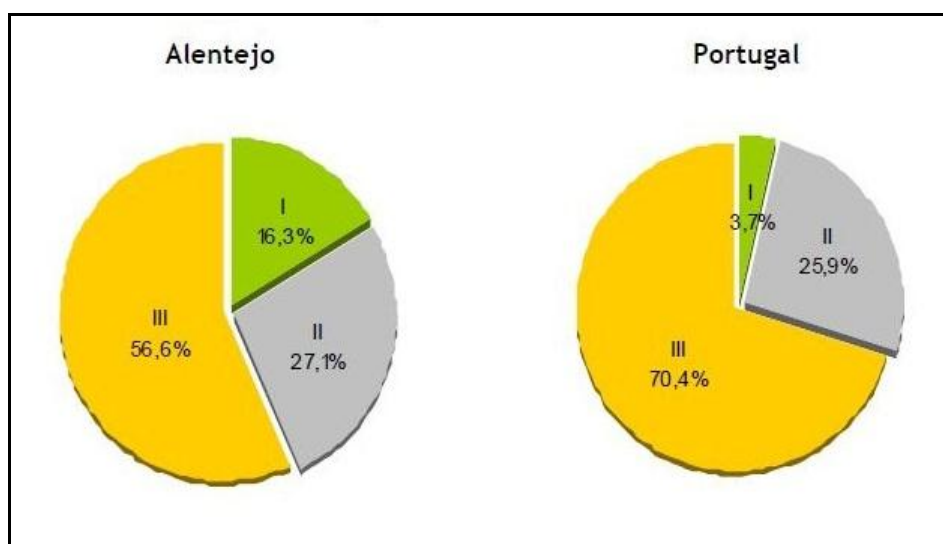
organizations of the state, less formal associations and societies, as well as norms such as conventions of exchange.

5.2. Production, exchange and consumption

5.2.1 Structure of the regional economy

The structure of Alentejo's economy is different to that of Portugal overall, reflecting the continuing importance of land based industries. Table 5.1 shows that the share of the primary sector is much greater in Alentejo whereas the tertiary sector is smaller. The share of secondary industries is almost the same, however in Alentejo much of this figure is taken up by a few large firms, notably the oil refinery at Sines.

Figure 5.1: GVA by sector in Alentejo and Portugal



Source: (CSF III Observatory, 2007)

The starting point for an analysis of production in Alentejo is agriculture, since the sector represents 16.2% of regional GVA, compared to 3.3% nationally (see Table 5.1) which is one of the highest levels of all European regions. Within agriculture there are growing sectors, particularly wine and olive oil production, which are considered more stable than cereals or livestock that have seen large price fluctuations in recent decades. The rolling hills and plains of Alentejo offer great potential for agriculture, especially since the completion of the Alqueva reservoir and irrigation project. The reservoir, which was created by damming the River Guadiana, is the largest in Portugal and Europe. It is a project that had been planned for decades, having originally been

conceived during the *Estado Novo*. However, construction work on was only started in the 1990s and completed in 2002, with the reservoir reaching the intended level in 2006. Alqueva provides irrigation for more than a thousand square kilometres of Alentejo's territory. In addition it hosts a hydroelectric power station with a capacity of more about 250 megawatts.

Table 5.1: Distribution of GVA by sectors in Portugal and Alentejo (2003)

Economic Activity	Portugal	Alentejo
Agriculture and forestry	3.3%	16.2%
Fisheries	0.4%	0.3%
Extractive Industries	0.3%	1.8%
Manufacturing industries	16.3%	15.7%
Production and distribution of electricity, gas and water	2.8%	4.7%
Construction	6.7%	5.1%
Wholesale and retail	14.3%	10.4%
Hospitality and restaurant	3.0%	2.2%
Transport, storage and communications	6.8%	5.7%
Financial activities	6.3%	3.0%
Real estate and consulting services	13.1%	6.8%
Public administration and social security	9.6%	12.1%
Education	7.5%	7.7%
Health and social services	9.6%	12.1%
Other activities and collective services	3.1%	2.3%
Total	100%	100%

Source: (CSF III Observatory, 2007)

In the latter part of the Twentieth Century agriculture has been considered less important for the European economy and not the strategic industry it was in the post-war period. With large supermarket chains dominating consumption patterns and the availability of cheap food imports through trade liberalization, domestic agriculture has been considered as a low value added industry and thus its large proportion of Alentejo's economy would be seen as a serious limitation. However, there is a growing awareness that trends in food production and reforms of the EU's Common Agriculture Policy (CAP) have to be reassessed. It had been assumed that free trade and a reduction in subsidies would see a gradual withdrawal of agriculture in some parts of Europe and

that farmers instead would act principally as environmental managers or tourist service providers in a ‘consumption countryside’ (Murdoch et al., 2003). Yet the increasing pressures of climate change and awareness of ‘food miles’ as well as concerns over food quality and safety give renewed importance to production, with some predicting a new ‘regulatory phase’ of the industry (Robert and Terry, 2009). Images of food surpluses in the 1990s are now being replaced by a discourse of food shortages. Furthermore, agricultural products have other increasingly important uses such as bio-fuels (e.g. in Alentejo from olive stones).

The potential for agriculture in Alentejo was highlighted by many interviewees, with one commenting that it could be the “salvation of Alentejo” (Interview with Jorge Gaspar, Lisbon, 1st June 2009). However, it currently suffers from significant structural weaknesses and its productivity levels are consequently among the lowest in Europe⁶⁰ (INE, 2006). One of the problems is limited use of modern agricultural technology and equipment. It is immediately visible when crossing the border into Spain but details were given in a number of interviews. For example, the increasing use of land levelling laser technology in other European regions has not been exploited in Alentejo. Secondly, according to several technical experts in the industry, farmers in Alentejo are not adept at efficiently using water resources through the latest techniques, which is especially problematic in a Mediterranean climate. Thus, “the major problem for the agricultural sector in Alentejo is a lack of technical knowledge as well as entrepreneurial motivation; the technology is available but the farmers don’t know how or don’t want to put it into action” (Interview with Manuel Laranja, Lisbon, 3rd January 2010). A third structural weakness is the age of agricultural workers and farm managers, which in Portugal is the oldest in Europe⁶¹ (INE, 2006). For this reason one interviewee showed scepticism about the ability of existing farmers to use new technologies, remarking that “In Alentejo you have to wait for the under qualified older generation to retire and for a new one to come in” (Interview with Manuel Laranja, Lisbon, 3rd January 2010). Thus, as with other challenges in Alentejo it appears that the demographic issue is one of the root causes.

⁶⁰ The Farm Survey of 2005 published by the Portuguese government’s statistical office (INE) shows that the agricultural sector in one of the least productive in Europe. Since Alentejo makes up a large portion of Portuguese agricultural output I infer that the agricultural sector in Alentejo has low levels of productivity and this was also confirmed by Veiga in an interview.

⁶¹ Again, the ageing population is conferred from the national statistics and an interview with Laranja

There are other related reasons for the low productivity of Alentejo's agricultural sector that are historical and multi-scalar. Chapter Four showed how Alentejo has suffered particularly by the centralised system of regulation and the political turmoil of the Twentieth Century. During the *Estado Novo* the region was marked out to be the breadbasket of Portugal and large scale cereals monoculture was developed. The system of latifundo was profitable because of low wage temporary labour and the landowners had little incentive to invest in new machinery. The landed class had an interest in maintaining the status quo and the influence to achieve this, stalling processes of industrialisation and urbanization and therefore the development of a middle class; the few who were young and ambitious moved to Lisbon or abroad⁶². The revolution of 1974 and its aftermath also had a negative effect on productivity. Occupied land was farmed in collectives that were not able to invest and didn't have the experience of managing extensive agriculture held by the disposed landowners. Long legal battles and accession to the EU saw land returned to the original owners but upon re-entering the European economy Alentejo's agriculture had suffered forty years of underinvestment compared to its neighbours.

Accession to the EU has however not helped to improve productivity. In fact, until recently there has been a disincentive to produce, with subsidies paid for 'set-a-side' in the 1990s and a move to the single payment system after the 2003 CAP reforms. The new system, which pays farmers per hectare as long as certain cross compliance measures are observed is particularly rewarding for large estates of the type found in Alentejo. The CAP is one of the reasons for an increase in Alentejo's GDP. However, a large proportion of the money has not been invested in the region, but elsewhere such as property in urban areas. The CAP has also had another unintended negative effect on development in the region: It has increased land prices because of the value derived from European payments, and together with a cultural reluctance to sell land (despite its price), has led to a shortage of affordable land for other types of development.

As a significant and yet under resourced sector in the regional economy, there is good reason to see how the modernisation of agriculture could increase the wealth of Alentejo. Moreover, it would give the region an important place in the 'new economy' which can tackle climate change through the production of home grown quality food or

⁶² This type of opposition to industrialisation occurred in other countries such as the Russian and Hapsburg empires but nowhere as late as in Alentejo (Acemoglu and Robinson, 2000).

bio-fuel. However, it has been held back because of a mixture of structural weaknesses, institutional context and political coalitions within and outside the region. This type of break on the free functioning of the market is a primary concern for Sen (1993, Sen, 2001) and others in Development Studies but has not been investigated as much in Economic Geography. For example, in a working paper for the European Commission by Farole et al (2009), this type of capability failure is mentioned but all the references are outside the discipline.

Finally, in addition to low productivity, one of the most negative aspects of Alentejo's land based economy is that of low value added, which is very often extracted outside the region. For example, two of the most important primary products are native Iberian black pigs (*porco preto*) and marble, but they are processed and marketed in other European countries; in Spain as ham and in Italy as ornamental rocks.

5.2.2 Regional innovation and relatedness

If Alentejo's economy is locked into a structure of low added value and productivity, especially in the agricultural sector, there is no consensus about how to change it. In the last decade there has been an academic and policy focus on innovation for regional growth and innovation is seen as the primary mechanism to unlock economies from path dependencies. In the late nineties the European Commission selected several regions to submit regional innovation strategies. Alentejo was one of these regions and in fact it was the first time that Portugal had focused on regional innovation. The strategy was financed as part of the ERDF, coordinated by Alentejo's CCDR as Managing Authority and researched by a firm of consultants (Agusto Matheus e Associados, 2005). After analysing the regional economy, the main conclusion and starting point for the plan was that Alentejo should resist the temptation of copying other regions by investing in emerging high tech sectors, but rather focus on innovation within existing industries. The plan takes the perspective that:

“To be an innovative region does not only mean to have access to the most modern equipment and technologies, or the most recent information about scientific and technological developments. It does mean to be action orientated, to have own initiative and to be adaptable. Yet this perspective does not require reliance on emerging sectors and those with the greatest technological potential. It also implies a renewed emphasis on so called traditional sectors which already exist in the region and which must also demonstrate the capacity for initiative and innovation based on new

technologies”. *Regional Innovation Strategy for Alentejo* (Agusto Matteus e Associados, 2005, 147)

Focusing on innovation in existing sectors is the most efficient and realistic strategy according to Manuel Laranja, one of the authors of the report and now an official at the Ministry of Economy and Innovation: “When you are talking about innovation, you have to look at what is already there, otherwise you are talking about sky rockets and people don’t take attention” (Interview with Manuel Laranja, Lisbon, 3rd January 2010). He argues that innovation requires a critical mass and that can only be achieved by looking at traditional sectors: “The policy advice is to attract researchers and to increase R&D but only the type which is appropriate to the region” (Interview with Manuel Laranja, Lisbon, 3rd January 2010). In his view the most promising sectors are agriculture and food processing⁶³, logistics which needs space and can capitalise on Sines as an important international port, and the growing software industry driven by German firms, which he puts down to the curious high level of Maths skills in the region compared to an overall low level of education (a fact Laranja cannot explain). The reason why innovation in traditional sectors has proved difficult is because of confusion between R&D and extension services, which the report clarified. The main problem with agriculture is that there are few extension services (i.e. food processing and marketing). There is evidence that firms were aware of the latest research but they cannot translate this into commercial success, which shows that there is an institutional failure (see section on institutions and leadership).

The regional innovation strategy and its emphasis on traditional sectors has however been criticised. Prof. Paulo Neto from the department of economics at Évora University feels that more effort is needed to analyse the potential of emerging sectors. Since the traditional sectors are “artificial”, meaning that they only survive through state support, they could disappear in the future. Moreover, he argues that they are not disposed to innovation and that without a broader based economy the region will remain locked into the current low value cycle of subsistence, without creating the wealth needed to make future investments. Currently there are few emerging sectors in the region and innovation is only really found in the logistics industry because of Sines, in energy because of the Alqueva project and at the universities; but these he notes are mainly

⁶³ Other primary industries such as the marble mines near Borba and Beja don’t have the critical mass, according to Larnaja

state backed national projects. Prof. Neto contributed to the evaluation of the previous EU funded regional Operational Programme which found that firms had not applied for funding to upgrade technology because they did not think it was necessary or felt they did not have the required technical knowledge. In his view, “innovation needs help from outside because the skills and expertise don’t exist in the region” (Interview with Paulo Neto, Évora, 10th January 2010). This opinion was held by many of the interviewees based in the region, including Marta Alter, Coordinator of the local development group Monte ACE, Luis Cavaco, President of the regional development agency and Catarina Gonçalves, owner of a small business based in Vila Nova de Baronia.

The different views of the regional innovation strategy give an interesting angle to the long standing endogenous versus exogenous debate to regional development. The Lisbon based consultants cast innovation in endogenous terms, calling for the stimulation of existing capacities in the region based on its unique strengths; including its land (for agriculture and logistics) and its geographical location (near to the capital, Atlantic position). The alternative view put forward by a professor from Évora insists that unless new industries from outside the region are attracted (though they must be ‘embedded’), Alentejo will remain trapped in its low position in the international division of labour and this cannot provide a more prosperous and sustainable future. The endogenous approach, which has been prescribed by an external source, insists that development strategies should be defined by regional actors themselves as part of a ‘bottom up’ process. Yet the empirical evidence shows that actors in the region reject a purely endogenous approach. They argue that it is unrealistic given the structural weakness of Alentejo’s economy and that they need help from outside (in terms of new types of investment and ideas as well as grants).

As has already been discussed, one of the benefits of the CA is that it does not privilege any geographical scale before adequate analysis. Thus, it would support the endogenous approach as it aims to ‘unleash’ existing capacities. Yet there may be capacities that are less obvious which can only be fulfilled through a new approach based on external stimuli, while limiting the region to a defined set of industries could have an exclusionary effect. This links to another theme in Regional Studies, which suggests that specialisation ensures a region remains competitive in the global economy. However, a CA would seem to favour a more broad based economy as it allows greater freedom to produce, exchange and consume.

The empirical evidence offers some insights into what type of innovation may succeed in Alentejo. Although a survey may be more appropriate for this particular question, a qualitative approach shows why and how innovation has occurred. Furthermore, innovation can be so widely defined that a survey may be too broad. In fact, many examples were identified during the fieldwork, including social and environmental innovation (see Chapter Seven). However, in the context of production and the use of new technologies, three examples are pertinent for the discussion.

Firstly, the waste management plant VALNOR has been very successful by extending its activities through innovation based on R&D. Located in the municipality of Avis in Alto Alentejo, the company is also an example of good corporate governance and shows the potential for the region in terms of sustainable industrial development (see Chapter Seven). The main activity of the plant is to recycle waste material from drop off points (plastics, paper, metal and glass) as well as the collection and treatment of food waste. Owned partly by the municipalities where the waste is collected, the main reason for the plant is to fulfil a public need (waste collection) which is in fact legally binding upon local government. However, the company has been able to innovate and extend its core functions to a number of new activities. These include the recycling of end-of life electrical domestic appliances and automotive parts as well as the development of a new technique to recycle food waste into agricultural fertilizer. The latter activity was developed in cooperation with Beja Polytechnic, with chemical engineers having joined the company from the institution and who continue to be involved in research. Another reason for the success of the company is the leadership of its managing director, Engineer Pinto Rodriguez, who was formerly in the mining sector and has been able to transfer technical and commercial knowledge to a different but not dissimilar sector. Cross fertilization between related sectors that use one of Alentejo's main resources - availability of land - is a positive driver for production that enhances the economic facilities of the region.

Secondly, UCASUL is a company owned by a union of several olive oil producers' cooperatives. The widely positive impacts on the economy and community are discussed in section 5.4. However, UCASUL is also an example of innovation that has taken advantage of the regional context to become a successful enterprise. The company was founded to restore an old olive processing plant on the outskirts of Alvito that had been out of use since its previous owners went bankrupt. In 2000 the company made a

five million euro investment, which was used principally to procure new dryers for their main product, called *bagasco* (a by-product of olive oil production extracted from the residue olives, which is used mainly in the food industry). Although the process is old, the refurbished factory is now able to carry out the whole production cycle in the same premises, which was hitherto not possible. It is the only large scale activity of its kind in Alentejo and has fifteen permanent employees, with more temporary employees between the period of October and May, during the intense period of production called the ‘campaign’. Given the overall increase in olive oil production in Europe driven by greater demand as well as the Alqueva irrigation project that will boost the sector in Alentejo, the prospects for the factory to exploit the byproduct are good. Furthermore, the company has plans to diversify its activities to produce biomass energy which would be the only activity of its kind in Portugal. By extending the use of a traditional agricultural product the case of UCASUL shows how innovation can occur endogenously within industries already present in this region.

Thirdly, the Brazilian air company Embraer has invested nearly €150 million in two plants just outside Évora and intends to be there for the long term⁶⁴. As part of its commitment to the area it has helped fund courses in aviation at Évora University to supply technical knowledge for their operations. In comparison to the previous two examples, the emergence of the technology and research intensive aeronautical sector shows the potential value of external investment. There is a suggestion that the Embraer operations can stimulate the development of a cluster if the company is embedded in the local economy. This task is being tackled by the Ministry of Economy and Innovation which has set up a task force to ensure that regional suppliers are used, in an effort to stimulate clustering dynamics. However, several difficulties are foreseen, including the strict technical definitions in the sector and the as yet unclear extent of activities that will take place at the Évora plants. “On its own, the Embraer operations do not provide the critical mass required...” said an advisor at the Ministry, “we [the state] have to make it work” (Interview with Manuel Laranja, Lisbon, 3rd January 2010).

The first two examples that take advantage of and build upon the traditional strengths of the land based economy could be considered as the most promising areas for regional innovation. However, the third example would diversify the regional economy and

⁶⁴ See http://economico.sapo.pt/noticias/fabrica-da-embraer-em-evora-arranca-no-primeiro-semester-de-2012_65978.html

increase the range of employment opportunities available. It could help to stimulate further activity based on knowledge and research that would help to unlock the regional economy from its path dependence. A combination of endogenous and exogenous development ultimately seems like the best choice, while ensuring that skills and wealth generated remain in the regional economy.

5.2.3 Access to finance

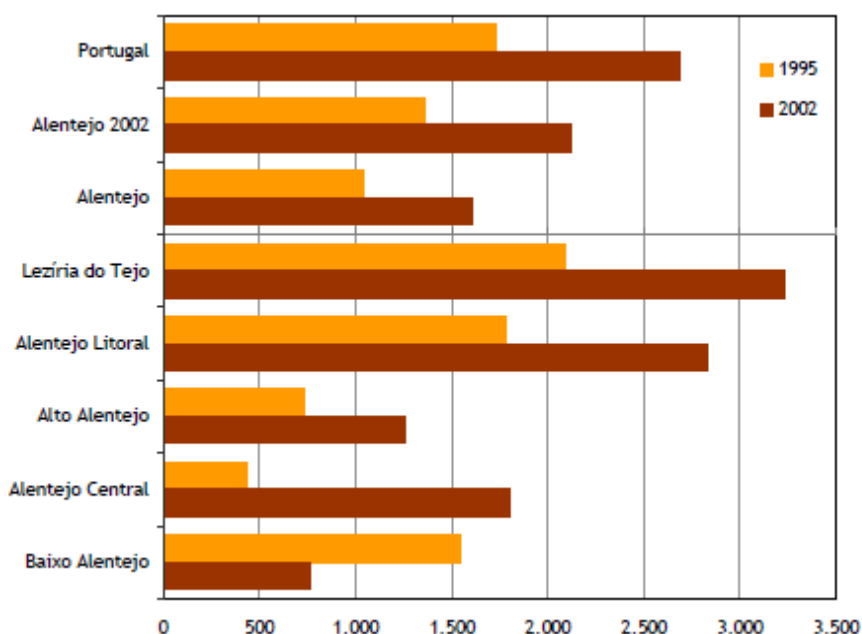
Access to finance is an important economic capability according to Sen and it also has a strong regional dimension. Although external investment has grown substantially in recent decades, small and medium sized firms are vital to the regional economy, and it is usually those firms that are disadvantaged because of restricted access to finance. The issue was identified by Alentejo's Regional Development Agency ADRAL shortly after it was created and research found a lack of appropriate business related financial institutions in the region. There had been attempts to encourage more venture capital but they were not taken up by many local firms since they are often family run and the venture capital proposals interfered too much with internal business matters. Moreover, as SMEs in the region typically have low levels of capital, any significant investment would take over an unacceptably large proportion of the firm. As a result of this research a financial instrument was established with financial support of municipalities; firstly as a pilot scheme in Évora, but which was then taken up by 37 of the 47 municipalities of Alentejo. A fund was introduced that includes a 50% contribution from the municipality and a 50% contribution by *Banco Espirito Santo*, a bank which had been approached by ADRAL. The municipality's contribution comes from the tax local authorities can levy on companies in addition to national corporation tax. The fund offers SMEs low interest loans in addition to free consultancy advice. The very low rates were made possible as the municipality contribution receives no interest and the bank lending was negotiated by ADRAL at just 2.5% above the base rate. The loans are repayable over six years, which includes a first year of interest only payments. Importantly, as the loans are not related to EU structural and cohesion funds, they can be used to co-finance European projects, which had been a problem for many SMEs and resulted in missed opportunities and repayment of funds destined for Alentejo. Many companies have benefited from the fund and its success encouraged other regions in Portugal to develop similar instruments. The exchange of good practice was helped by the award that the initiative received from IPME, the National Association of SMEs.

Furthermore, the governance of the scheme has given banks more confidence in investing. Decisions are made by consensus by a board that includes the RDA, the municipalities and the bank. Projects which are financed must be viable and increase the capacity of the region for sustainable development. Recently, the Mutual Guarantee Institute of Portugal has guaranteed half of the bank's investment, allowing it to increase its contribution to 80% and thereby reducing the responsibility of the municipality.

5.2.4 Conditions for external trade

Alentejo has only recently opened up to external trade as described in Chapter Two. With a surge in imports it has been essential for Alentejo to increase its export base, especially because of weak internal demand caused by demographic decline. Figure 5.2 shows that Alentejo continues to have a lower level of exports compared to Portugal as a whole, though both have been increasing. However, the level of exports for Alentejo

Figure 5.2: Export activity by GDP per capita, 1995 and 2002



Source: Observatório do QREN (2008) Regional Operational Programme for Alentejo 2007-2013

hides significant intra-regional disparities, with the oil refineries on the Litoral exporting much more than the other NUTS III regions. Notably, Baixo Alentejo shows a sharp reduction in exports between 1995 and 2002 which is the opposite trend to all other sub regions and Portugal as a whole (see section 5.3 on spatial differences within

the region). As with consumption, trade is significantly affected by geography and Alentejo's peripheral position is a limitation, especially in the most remote localities.

Significant investment in the region's transport network is currently planned, although some projects may not be implemented because of pressure on the state budget. The latest round of investment includes a new motorway linking Sines to Beja, Serpa and eventually onto Seville in Spain. This will also reduce the time it takes to reach Lisbon which has been a significant disadvantage for Baixo Alentejo compared to Alentejo Central. The long standing plan for transforming Beja airport into a facility that can accept passenger and cargo planes has also received investment. Finally, a high speed rail line between Lisbon and Madrid via Évora has been approved though there is much scepticism about its cost in the current monetarist climate.

Hard infrastructure is however not the only method of increasing trade and a cost-benefit analysis often suggests that other types of investments are much more efficient. The money which is spent on infrastructure projects could be better spent on measures that reduce distance in other ways, whether this is culturally and socially through education, or through the use of new technologies, notably the internet. Two examples of this type of investment show their potential value for a sparsely populated region such as Alentejo.

Firstly, inter-regional and transnational cooperation with the neighbouring regions of Estramadura in Spain and Centro in Portugal has helped to increase trade. This 'Euroregion' named EUROACE is based on a history of cooperation between the three regions but was formalised during the period of fieldwork for this thesis. It is partly funded by the EU through its INTERREG programme⁶⁵. The EUROACE initiative aims to tackle differences in legislation, employment conditions, language and culture in order to promote commercial links between the three regions. In addition it aims to promote the macro region as a whole and increase exports to third countries, based on its strategic geographical position facing the Atlantic.

Secondly, a project funded by Alentejo's Regional Development Agency ADRAL has helped to increase access to high speed broadband. In sparsely populated regions the private sector has much less incentive to invest in 'backbone networks' (Tranos, 2009),

⁶⁵ The Operational Programme for Portuguese-Spanish cooperation called POCTEP.

yet access to the internet can be more important to reduce geographical distance. It allows businesses to publicise their activities and trade online, and gives consumers greater information and choices. Intrinsicly it is also an increasingly important source of education and social opportunity. Given that Alentejo's low population makes installing internet backbones unprofitable for the private sector alone, a public-private partnership between ADRAL and the internet provider Sapo PT has helped to provide access for the region's public institutions, businesses and the population at large. The project provides fibre broadband to the fourteen municipalities of Central Alentejo. It is free for public infrastructure and the remaining capacity is sold by Sapo PT privately. Working with partners from Évora University, the RDA physically houses the broadband hardware and ensures service. Funded by a 45% EU contribution and matched by central government, the project also includes a study about the use of ICT by micro enterprises.

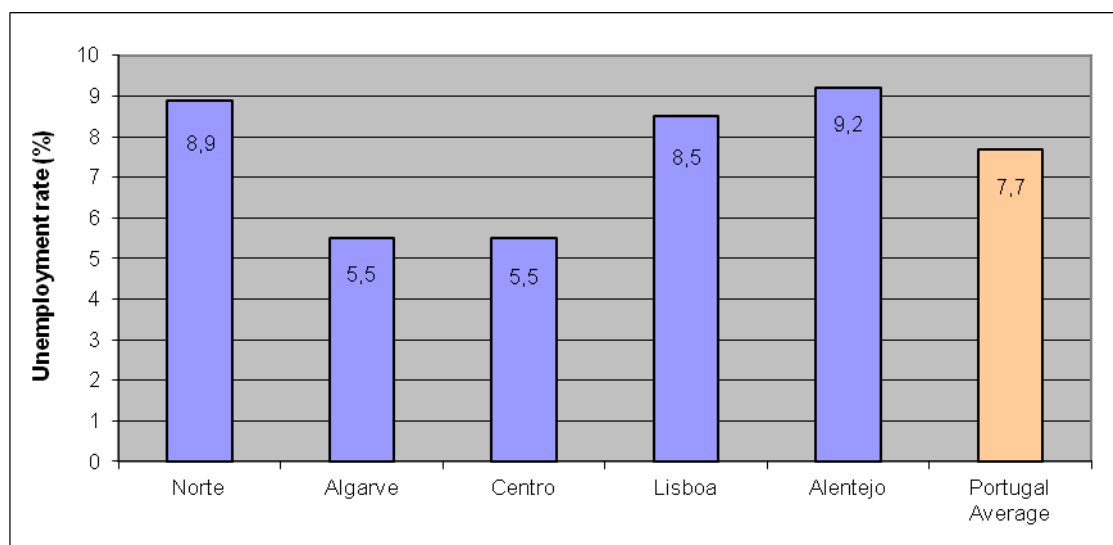
These two initiatives and others like it aim to help the regional economy convert the capital it has into valuable results through the provision of favourable conditions for trade. External trade is very important in a sparsely populated region and in a country of Portugal's size with a small internal market that is particularly sensitive to cyclical trends and recessions (e.g. the current crisis caused by high national debt). Yet the provision of favourable trade conditions is not enough to create an exporting regional economy. Production comes before trade and therefore the development of the region's manufacturing base is a pre-requisite for increasing its level of external trade.

5.2.5 Labour market

The most common form of exchange for the majority of people is the price paid for their labour, and therefore employment is the most pressing need in the economic lives of those living in a region. The lack of employment opportunities has a number of debilitating effects, including a reduction in household income and consequently an impact on the ability to consume and create wealth. The latter in particular damages the sustainability of a region. Unemployment also has a high social cost and thus the existence of employment is extremely important regardless of its economic utility. Similarly, when looking at employment from a capabilities perspective it is not only the existence of a job that is important but also its quality in terms of income, career advancement, social relations and personal fulfilment.

Alentejo has a particular problem with employment as a result of its economic geography and history. It has the highest level of unemployment and lowest level of economic activity of all Portuguese regions (see Figures 5.3 and 5.4). As discussed in Chapter Three, the regional economy has undergone rapid structural change in recent decades, with a dramatic reduction in the agricultural workforce. Other industries have not been able to fill the gap and a large proportion of the population is now directly or indirectly employed by the public sector, especially local councils. This not only creates a burden for the state budget, but according to many people interviewed in the region, it has also sustained a culture of dependence. In fact, many remarked that a public sector job is the principal aim for most people in the region. However, a sharp reduction in public sector spending would create high unemployment, which is an even less desirable situation. In fact, Sen suggests that the creation of public sector jobs is a much better alternative than paying unemployment benefits and can actually be useful for essential services. The challenge facing policy makers therefore is to gradually reduce the dependence on employment by the public sector without increasing unemployment.

Figure 5.3: Unemployment Rate by NUTS II regions in 2006

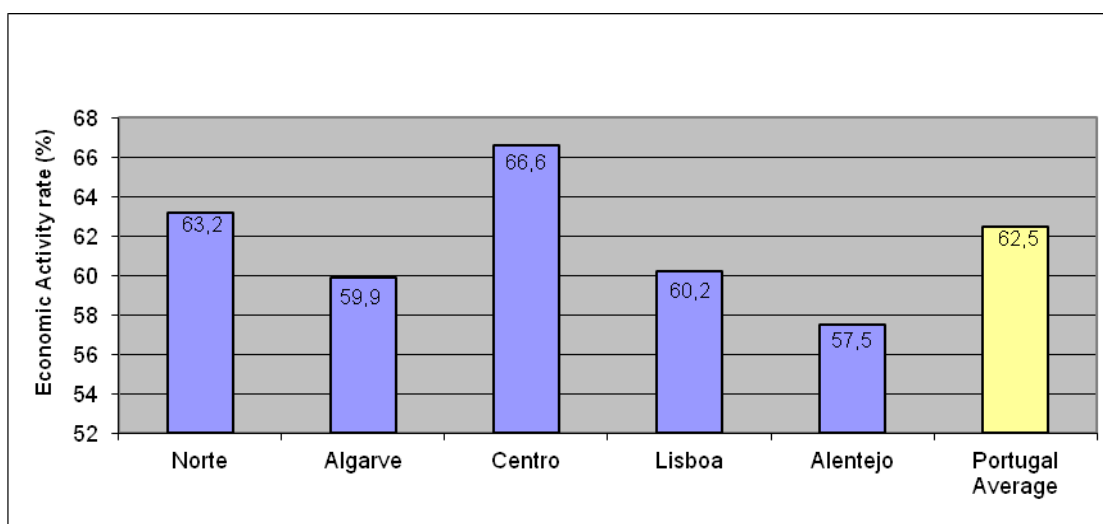


Source: Author based on Eurostat data

As regards the quality of employment in Alentejo, it is difficult to obtain accurate and meaningful data. According to Prof. Paulo Neto of Évora University the situation is gradually improving, though starting from a very low base and remaining geographically uneven within the region. The structure of the regional economy has limited the range of employment opportunities. In the primary sectors working

conditions are poor: Agricultural employment can be temporary and insecure and in the extractive industries a recent strike affecting the SOMNICOR mine in Aljustrel was the result of an industrial dispute over employment contracts. Low levels of manufacturing jobs remain a weakness of the regional economy, especially since the latest recession is affecting services and the public sector more intensely. Although the contribution of manufacturing to regional GVA is slightly higher than the national average it is significantly lower in terms of share of employment. A large proportion of the service sector jobs are with local councils, which often have limited responsibilities and career advancement opportunities. Moreover, the traditional job security associated with public sector employment is under threat in the current political climate of austerity. Tourism is a growing sector, which although has potential, is also characterised by low pay, low status jobs.

Figure 5.4: Economic Activity Rate in Portugal NUTS II regions in 2006



Source: Author based on Eurostat data

Low levels of innovation and reliance on traditional industries has led to a very low demand for graduate jobs. The number of graduates in Alentejo is the lowest in Portugal which poses an obstacle to inward investment and reinforces the structure of the regional economy. The number of educated professionals and emerging industries is much higher in Central Alentejo than other parts of the region (Observatório do QREN, 2008), which is also the area with significantly higher proportion of sectors using new technologies, confirming the uneven nature of opportunities within the region (section 5.3). Informal discussions with graduates at VALNOR also underline the importance of social opportunities in retaining graduates. Most of the graduates working at VALNOR

only live near the plant during the week and return to the main towns of Évora and Elvas at the weekend.

VALNOR has a relatively high proportion of graduates working at the plant and offers good opportunities for professional development, such as sponsoring the completion of postgraduate studies. However, these graduates remarked that it was an exception. The development of the Alqueva multi-purpose project offers real potential to diversify the employment base, especially in engineering for irrigation and hydro-electric activities. However, like VALNOR, EDIA is a state backed company and these positive activities need to be complemented by other graduate recruiters if there is to be a critical mass to attract more educated professionals to the region.

5.2.6 Consumption

Consumption is linked to production in complex ways and varies geographically (Coe et al., 2007). In neo-classical location theories consumption is primarily determined by distance to the market, but the assumptions on which they are based are too uniform; they don't take into account variations in wealth and preferences which increasingly affect consumption. Furthermore, services that are provided wholly or partly by the state do not follow the same rules of supply and demand found in the market.

Distance to the market is without a doubt still a major factor in Alentejo's consumption patterns when the origin of the product or service is outside the region. As a sparsely populated region, it does not have the critical mass to allow for the full range of consumption possibilities that exist in larger urban areas. In most villages and towns it is not possible to buy foreign foods, designer clothes or go to the cinema. Moreover, distances make it expensive to travel to places where these goods and services exist, especially in countries such as Portugal where good roads (motorways) have tolls. The increasing use of the internet and online shopping means that in theory the choice of some products will be enlarged. In this context, rates of broadband access by households are useful to assess the capabilities of a region, as shown by the ADRAL project described previously. However, many goods and services are still not available on line as they are geographically fixed. In addition to obvious examples such as restaurants and theatres, professional services including finance and legal firms are much less footloose. For example, although it is possible to apply for a loan online, it is easier to meet the bank manager face to face to discuss the possibilities and range of

services. The lack of choice in services was mentioned by many interviewees as a problem in Alentejo. They are concentrated in the main towns, such as Évora and Beja and local banks do not have the same level of services, offering only basic advice.

Another problem that was identified in Alentejo is the lack of competition for consumers, which increases the price of many goods and services. This was a problem that according to Sen was one of the main concerns of Adam Smith when promoting the free market (Sen, 1993, 2001). There may be several reasons, the most obvious being a lack of demand for more than one business which creates a monopoly. One resident of the small town of Alcaçovas remarked, “when you talk about quality of life, you have to analyse how much essential things cost compare to your income, and I can tell you, here they cost much more than Évora and Lisbon” (Interview with José-Paulo Barahona Silva, Alcaçovas, 17th September 2009). Other obstacles to competition may be political coalitions blocking market access or structural problems that restrict business start ups.

Despite several serious geographical restraints on consumption facilities, there are also local advantages in Alentejo that increase the capabilities of the region. Firstly, low labour costs allow for affordable household services such as cleaning and childcare that are more expensive in urban areas, and labour intensive businesses such as restaurants and coffee shops offer good value. Secondly, although supermarkets seem to be expensive because of restricted competition, direct selling of foodstuffs including olive oil and wine (often informally) make quality foods cheaper than in urban areas. Finally, Alentejo has a rich cultural and environmental heritage that is free to consume, which increases the quality of life of its residents.

The geographical advantages of Alentejo in terms of the quality of its landscape and food products as well as its proximity to the Greater Lisbon area means that many consumers in Alentejo come from outside the region for leisure and tourism. Many regions in Europe have attempted ‘place based marketing’, which to some extent can be successful despite the increasing competition with other territories. If this leads to greater exports of agricultural or other products this can only be beneficial but the role of tourism has to be treated with caution. There is a risk that rural areas are cast as places to protect nature as part of tourist promotion strategies at the expense of wider economic development (Lowe and Ward, 2007). This concern was expressed by the leader of one development association in Arriolos, who remarked “Alentejo is forever

being sold as a place to visit and never as a place to live” (Marta Alter, Arraiolos, 17th September 2009). Many people are attracted to rural market towns to live and one way to increase the population and thus the consumer base of a region is to design strategies that build on the environmental and quality of life advantages offered by places such as Alentejo (see Chapter Seven).

5.3 Geographical distribution of the regional economy

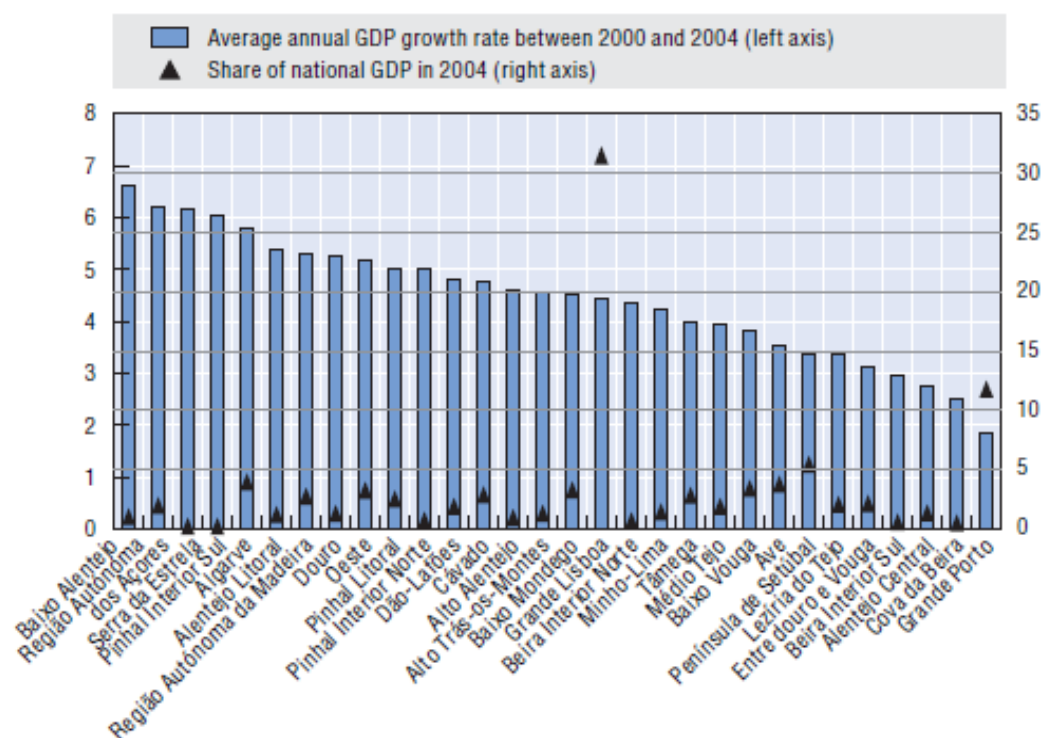
So far this chapter has analysed economic facilities in Alentejo as a whole. Yet as discussed in Chapter Two, the CA attaches a strong importance to inequalities, especially those that are difficult to measure (e.g. within the household). These inequalities are not only negative in terms of effects they may have on the quality of life of the ‘losers’, but also restrict the development of the economy as a whole.

Chapter three noted that the regional economy of Alentejo has become increasingly heterogeneous, having been relatively homogenous before the revolution of 1974. In terms of economic activity, agriculture had dominated the productive fabric of Alentejo, closely linked with a socio-economic system of latifundary. Inequalities were then based largely on class rather than on place. With the insertion of Alentejo into the global economy and the decline of agriculture, new divergent and spatially uneven processes of economic and social change have occurred.

It is difficult to arrive at any conclusions about the current and future trends in economic facilities within Alentejo from macro-economic data. Figure 5.5 shows for example that Baixo Alentejo has the highest GDP growth in Portugal. However, GDP per capita data is of very little use, especially when considering its growth since this is affected strongly by short term fluctuations in regions with low GDP and shifts in population. Baixo Alentejo has among the lowest GDP per capita overall and therefore growth is measured from a low base, and it has one of the highest levels of depopulation. In fact, quantitative and qualitative evidence suggests that economic facilities are among the lowest in the region of Alentejo and in Portugal as a whole.

Firstly, some parts of Alentejo, especially localities in Baixo and Alto Alentejo are not very accessible and have small internal markets because of low population levels. The

Figure 5.5: GDP growth by sub-region 2000-2004 (unit level %)



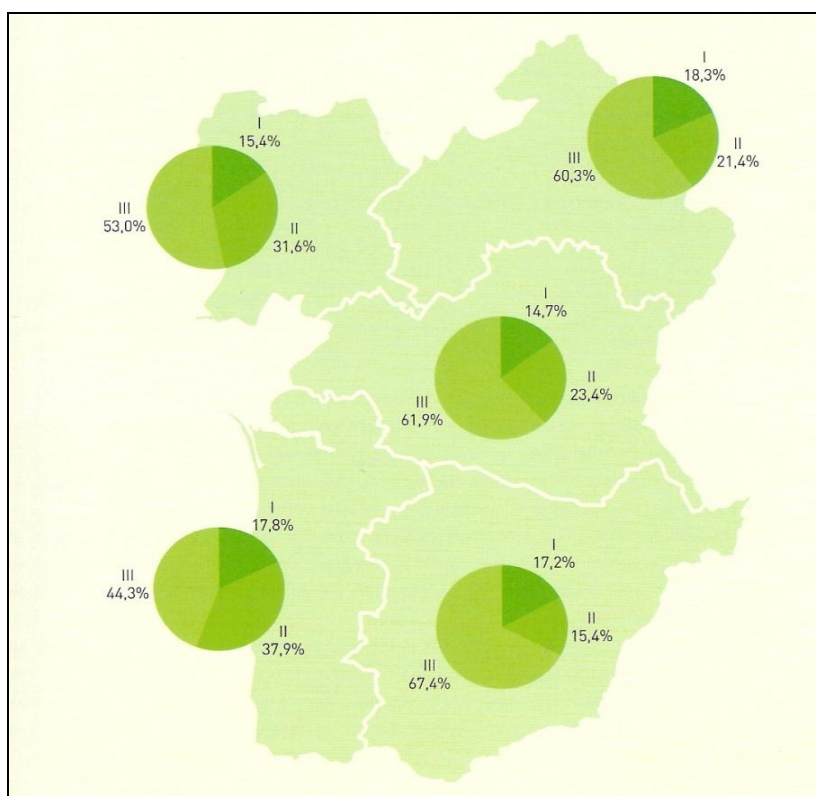
Source: OECD (2008) based on data from INE regional accounts, calculated on the basis of market prices

‘hotspots’ of innovation mentioned in Chapter Three are located in only a handful of places which are generally found near the main transport links and population centers. Most notable is the Lisbon to Badajoz ‘corridor’ including the towns of Vendas Novas, Montemor-o-Novo, Évora and Évlas. It follows the motorway between Lisbon and Madrid, and a proposed high speed rail link will run in parallel, stopping in Évora on the way. Parts of Alentejo Central and Litoral are very close to Lisbon and have benefited from the growth of industry located near to the capital (e.g. the autoeuropa plant at Palmela on the Setubal Peninsula). The economic facilities of the region are affected by (and in turn reinforce) demographic patterns which are very uneven. Chapter Seven analyses the impact of demographic trends on social opportunities since they have a strong intrinsic value. However, from an instrumental point of view, concentration of population and agglomeration of economic activity creates spatial inequalities in capabilities. In Alentejo, population is concentrated around the sub-regional capitals of Évora, Portalegra and Beja. In Alto and Baixo Alentejo there are few other large towns and the overall population is falling. Conversely, Évora and other

towns in Central Alentejo that benefit from proximity to the regional capital (e.g. Montemor-o-Novo and Redondo) are growing.

A breakdown of economic activity by sector in Figure 5.6 shows large differences among the sub-regions of Alentejo. The economies of Alto and Baixo Alentejo have the smallest proportion of manufacturing, a trend which according to interviewees is increasing. Notwithstanding the two successful plants located in these sub-regions as described earlier in the chapter (VALNOR and UCASUL), the majority of manufacturing investment is taking place in Alentejo Central and Litoral. Figure 5.6 shows that Baixo Alentejo has the lowest level of manufacturing in the region. The high proportion of services is accounted for by the large public sector. As noted above, manufacturing can be seen as crucial for regional capabilities because they add value to primary goods and create employment. Services can also create substantial employment but they can be less sustainable or dependent on the public sector.

Figure 5.6: Breakdown of economic sectors by sub-region in Alentejo

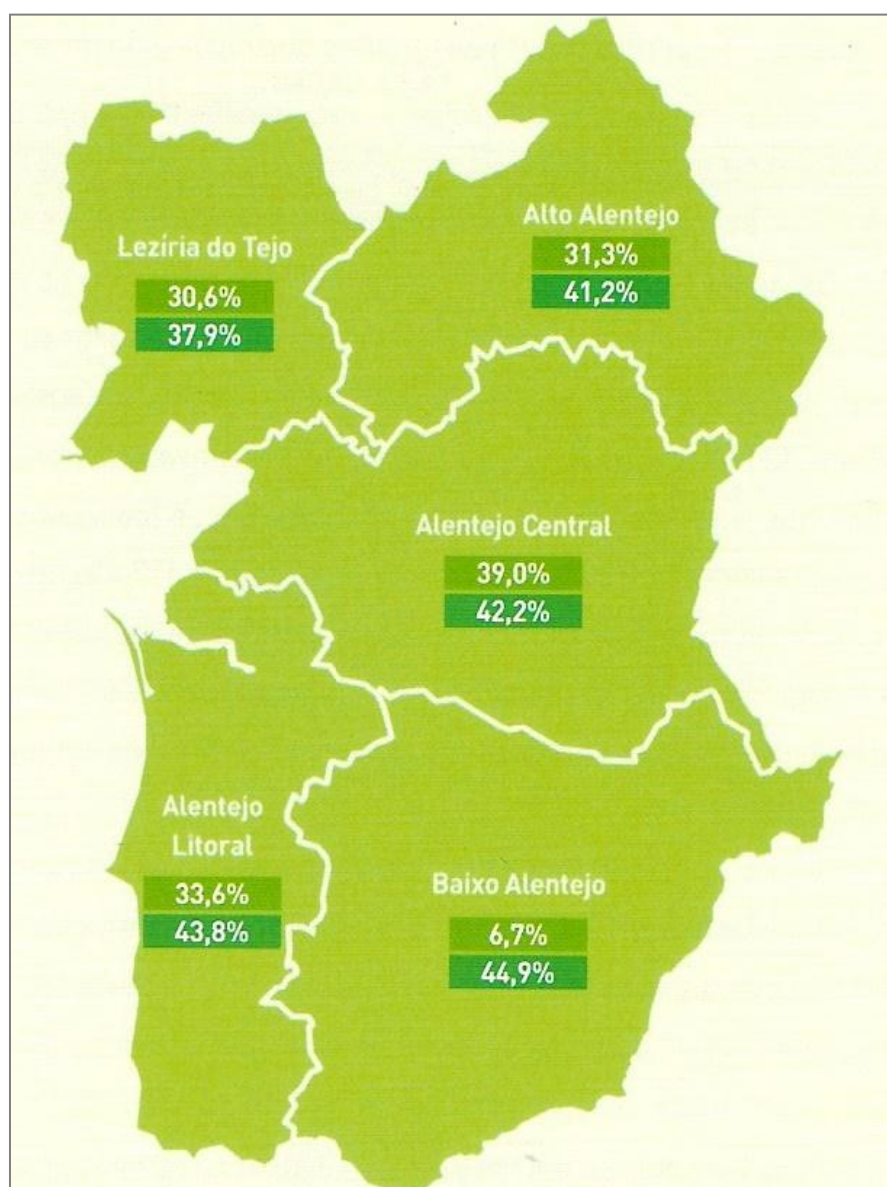


Note: The pie charts illustrate the structure of the economy in each sub-region of Alentejo, showing the proportion of primary (I), secondary (II), and tertiary (III) industries.

Source: Observatório do QREN (2008) Regional Operational Programme for Alentejo 2007 - 2013

The spatial inequalities of economic facilities can also be seen in the varying use of technology by industries in the different sub-regions of Alentejo. The use of technology can create innovation in industrial processes, for example through transcending distance. However, Figure 5.7 shows a large difference between Baixo Alentejo (just 6.7% of industry) and Alentejo Central (39%).

Figure 5.7: Importance of industries based on medium or high levels of technology and knowledge intensive services by NUTS III



The upper figure indicates the percentage of industries using medium or high levels of technology and the lower figure shows the level of knowledge intensive services.

Source: Observatório do QREN (2008) Regional Operational Programme Alentejo 2007-2013

The analysis of internal differences in economic facilities in Alentejo is however limited by a lack of micro-economic data, which requires more in depth research (e.g. household surveys) that was beyond the scope of this project. However, what this thesis

aims to show is that there is a limitation on the use of macro-economic data in measuring regional capabilities because of the differing ability of localities within the region to adapt to new challenges posed by the global economy.

5.4 The impact of institutions on economic facilities

Chapter Two showed that the institutional approach has significantly informed the analysis of local and regional development. The work of Sen is also centered on the role of institutions, particularly their impact on ‘instrumental freedoms’ (Sen, 2001, 10). The roles of institutions and their impact on capabilities are complex as different institutions may impact on several types of capability, which are themselves interlinked. In the field of Regional Studies the majority of the work focuses on how institutions affect economic development, whether it is the role of government and policy or more informal institutions found in society at large. This is illustrated by the focus on ‘social capital’, adopting a word from economics to explain how societal relations can be a resource for regional development. Given the multitude of inter-related institutions that exist in any given territory it is impossible to analyse each one in terms of their impact on economic facilities. This part identifies the main actors in the area of economic development and also reports on interview data related to how society and culture in Alentejo affect the economic facilities of the territory overall.

5.4.1 Central government and the CCDR

Alentejo’s economy continues to be highly influenced by national regulation of a sectoral nature. The regulation of the main sectors such as agriculture affects other areas of economic activity and yet they are not integrated into coherent regional strategies: Each ministry has its own regional institutional architecture based in Évora but according to interviews with civil servants in different ministries they don’t cooperate well together. This makes it difficult to be pro-active about increasing economic facilities in the region. The territorial dimension of policy making was intended to be coordinated by the CCDRs but their lack of power makes this difficult, with each ministry jealously guarding its own competences. The CCDR is the Managing Authority for the regional Operational Programme and its other responsibilities are mainly related to the environment. Therefore the CCDR only represents a decentralised

office of the Ministry of Environment, Spatial Planning and Regional Development rather than a territorial coordination unit.

The lack of coordination between the different arms of central government does not help to increase economic facilities in the region. For example, one landowner and businessman commented that “there are so many different programmes and offices that it is confusing, putting a lot of people off applying for state support” (Interview with Francisco Carvalho, Serpa, 2nd January 2010). Another example concerns innovation in the food processing industry: It was identified by the Regional Innovation Plan as a strategic sector but as it is the responsibility of the Ministry of Agriculture rather than the CCDR it is difficult to introduce recommendations into the rural development programme. Finally, according to its former Vice President Jorge Honorio, the CCDR does not have an active relationship with firms in the region: “We have tried to bring firms together to form clusters, for example in the ornamental rocks sector but it was not very successful. Firms are suspicious of the CCDR and vice versa” (Interview with Jorge Honorio, Évora, 24th August 2009). As described below, it appears that the Regional Development Agency is much better placed to act as broker between the state and the private sector, but the RDA is more closely related to the municipalities rather than the central government, which still controls large parts of the economy.

The main role of the central state and the CCDR in terms of economic development is as Managing Authority for the Operational Programmes of the EU’s structural funds. Decisions about the content of the programmes, which are often made centrally and only implemented by the CCDR can have an important impact on regional capabilities. It is beyond the scope to analyse all the different EU funded programmes in the thesis. However, two types of approach to development highlight different views about how regional capabilities can be built.

Firstly, POLIS is Portugal’s main urban policy, which has three main aims: Urban regeneration, competitiveness and diversification, and urban-regional links. The current generation of POLIS for the 2007-2013 programming period is called POLIS XXI and receives a large proportion of Portugal’s ERDF allocation. Moreover its importance is reinforced by links to the national and regional spatial plans that were approved in 2007 and 2008. Different views emerge however about the success of the POLIS programme. Josué Caldeira who has acted as a consultant in previous evaluations of urban policy in

Alentejo argues that POLIS is the most effective tool for regional development and points to significant urban regeneration projects in Alentejo's main towns of Évora and Beja. However, others have suggested that POLIS is less strong in its other aims, especially links between urban centres and the wider region. Josué Caldeira argues that as cities are the drivers of innovation and growth in a region, that they should receive higher priority than other rural areas and that the positive results will have a 'trickle down' effect across the whole region. He maintains that economically depressed and sparsely populated parts of the region should not be artificially supported since money is better spent on 'winning places'. However, others argue that trickle down has not occurred, and that the current regional and national spatial plans together with the POLIS programme have resulted in larger spatial inequalities.

As the Minister for Regional Development, Rui Baleiras⁶⁶ said that more emphasis should be placed on endogenous development and less on spatial planning, which can seem appealing on paper but does not achieve results without a bottom up approach. This was the rationale for the PROVERE programme, which in Portuguese means "Programmes for the Economic Enhancement of Endogenous Resources". The philosophy behind the programme is that areas with low population density need extra support because they lack the market forces that occur in agglomerations (Departamento de Prospectiva e Planeamento, 2008). Thus, contrary to the view that 'winners' should be prioritised, the PROVERE programme aims to retain population and economic activity in disadvantaged localities. To a certain extent this debate mirrors that of regional innovation: On the one hand a geographical reading of the CA would favour more emphasis on programmes like PROVERE in order to reduce spatial inequalities. It is also a 'softer' form of development, since even if it works the 'trickle down' approach will first widen inequalities before reducing them. An equal and participative process of development is called for by Sen in *Development As Freedom* (Sen, 2001, 35-36). Yet on the other hand regional development strategies have to be realistic in their objectives and support for endogenous development of the type promoted by PROVERE can become grant dependent and unsustainable. These types of dilemmas must be addressed when considering an approach to development that is both equal and efficient.

⁶⁶ Rui Baleiras was Minister for Regional Development from 2005-2009.

Finally, the central state has had an impact on regional capabilities by providing the capital for large scale strategic projects which are run by private companies. The two main companies are EDIA which manages the Alqueva Multipurpose Functional Area and the company that manages the Port of Sines. Both of these companies especially EDIA show the importance of the developmental state in identifying and implementing regional projects which create large scale employment and in the case of EDIA particularly, contributes to the sustainable development of Alentejo.

However, several interviewees complained that the large scale projects are not matched by commitment from the operating companies to the overall economic development of the region. One interviewee, who wished to remain anonymous on this matter, commented that “the Alequeva project is supposed to benefit the whole of Alentejo but EDIA seem to be only interested in profit for their company....you don’t see any proactive attempts by them to help other companies in the region and they often use outside suppliers first”. The use of local suppliers is seen as important to embed a company in the region but if the appropriate suppliers are not available then this may not be possible. However, regions that have been successful in adapting to changes in the economy have often involved a close cooperation between firms and the state and it seems that although EDIA and Sines are large firms financed by the state, there is no close cooperation between them and the public sector concerning the overall development of the region.

5.4.2 The municipalities

An analysis of radio debates between the mayoral candidates of the municipalities in Lower Alentejo ahead of the 2009 local elections shows that economic development is a high political priority at municipal level. However, the local councils are in fact severely limited in what they can do in this area. The main instrument at their disposal relates to planning and their ability to designate land as green or brown field sites. Moreover they may designate land owned by the Council as brown field and then sell it cheaply to encourage investment. Municipal finances are very limited and are mainly spent on local service provision. However, an additional 2.5% of corporation tax can be levied from businesses in their jurisdiction in order to finance particular infrastructure investments (called *derrama*). Many municipalities have combined these two aspects to create industrial parks on the outskirts of towns. No data has been found to show how

successful these estates are. However, one candidate referred to a successful park in Viana do Alentejo but others such as Prof. Neto remarked that there are too many of these industrial parks and many of them lie empty.

There are however more indirect ways in which municipalities can create better business and entrepreneurial environments, especially for SMEs. Their core competences of service provision and social policy can have positive and negative impacts on businesses. For example, municipalities can be bureaucratic and non transparent which stifles investment. Also, the quality of life in municipalities can be increased which helps to attract investment and people, increasing the internal market.

5.4.3 The Regional Development Agency

ADRAL (*Agência de Desenvolvimento Regional do Alentejo*) is an RDA that covers the whole of Alentejo. It is by far the largest of all RDAs in Portugal in terms of the area and municipalities covered (Syrett and Silva, 2001, 176), the only one that corresponds to a NUTS II region. It was founded in 2000 at the same time as fifteen other RDAs in Portugal, which are very different, varying in their organisation, capacities and performance.

ADRAL currently has sixty-four shareholders including the five Associations of Municipalities, the CCDR, large firms, universities, associations and local development groups. Overall, public bodies represent about 60% of the invested capital and 40% private companies (which in fact is slightly more than the one-third originally intended). The firms represented in the RDA include those headquartered in the region (e.g. Delta cafés) but also national and international firms with an interest in the region. For example, two shareholders that have also been partners in ADRAL projects are PT (Portuguese Telecom) and Banco Espírito Santo. SOMNICOR is a Canadian company that operates a mine in Southern Alentejo. According to the management of ADRAL these partners are vital to the Agency as well as the regional economy, since, “Alentejo is not alone in the world; we have to interact as much as possible, develop all potential networks” (Interview with Luís Cavaco, Évora, 24th August 2009)

Although this research does not compare regions, several interviewees have suggested that ADRAL is much more open to private sector involvement than other RDAs. It also appeared that the management is dynamic and avoids the bureaucracy associated with other regional organisations. There are a number of reasons for this; including the fact

that central government (in the form of the CCDR) has just an 8% stake in the capital so is only one of many partners. It is however supported strongly by the Associations of Municipalities, which together contribute about a third of the capital, and moreover the Central Alentejo Association of Municipalities seconded one of their staff to be Managing Director.

Like other RDAs, ADRAL is self-sufficient and does not depend financially on central government. About 60% of its income is through involvement in EU sponsored projects, with the remaining 40% received for services provided to public and private organisations. ADRAL is a limited company, but its statutes state that any profit must be reinvested in development projects rather than given to shareholders⁶⁷: The motivation of its shareholders is to further regional development, which will indirectly be of great benefit. The Agency is keen to increase its profit as this allows it to fund projects according to their own defined priorities rather than those of other public bodies or EU programmes. ADRAL has participated in many projects since its inception, but two current projects have been particularly useful in widening the capabilities of the region; one related to business finance (see sub-section 5.2.3) and another related to broadband access (sub-section 5.2.4).

Interviews with the management of ADRAL but also regional development specialists reveal that it has been one of the most successful of Portuguese RDAs. This has come about through the commitment of the municipalities as well as the staff. ADRAL therefore shows that the public-private partnership model introduced by the Portuguese government can be successful but is contingent on regional dynamics; other RDAs have performed much less well. However, it is not a fix for the lack of regional governance as its field of scope is mainly economic. Moreover it has problems with accountability since the body which oversees it, the CCDR is itself only indirectly accountable as an arm of central government (see Chapter Six).

5.4.4 Firms and Cooperatives

An important influence on the economic facilities of people from Alentejo is the firms and cooperatives that create employment and stability. The governance of the firms can be crucial in ensuring their survival as well as increasing the intrinsic and instrumental

⁶⁷ This is in fact stipulated in the law which created the IQADE programme (Syrett and Silva, 2001, 175)

value of employment. Alentejo has moved from an economic system where few producers dominated the means of production to a more plural settlement where the role of the state as well as collective organisation has become important.

An example of corporate good governance is VALNOR, a waste recycling company introduced earlier in the chapter. . It is a private company with public capital; 51% owned by the central government and 49% by the nineteen municipalities of Upper Alentejo. The company was created in 2001 with the aim of controlling the disposal of waste in the region at a time when environmental industries were very poorly developed in Portugal. The plant now receives all the waste of the partner municipalities totalling an area of 7500 km².

VALNOR exploits the one resource which Alentejo has in abundance, which is space. This type of recycling plant requires a large area and should be located in the right place to avoid negative externalities such as pollution. The choice of location came after a discussion and consultation among the municipalities and government, which selected a site five kilometres from the village of Figueira e Barros in the municipality of Avis. The local authority was initially reluctant to host the site as it was considered undesirable and an unimportant sector. However, there is now large support, since it has created employment and attracted professionals to the area. Moreover, the image of the sector has improved much since it opened: At the outset the local mayor remarked that “dealing with trash is the job for the lowest paid employees of the Council”, but now there is a positive perception among all workers and within the community.

The Managing Director of the company points to the socially responsible outlook of the company as a factor in winning over the local community and this opinion was supported (though to a smaller extent) by the employees. The company has been awarded all the official state certificates of best practice in environmental sustainability and social care. Training and development is a crucial part of its human resources and employees have received support for further studies in terms of time off work. Furthermore the company has invested considerably in education initiatives in the local community, promoting the practice of recycling and its benefits to the environment. This includes publicity campaigns and school visits to the plant.

The governance of the company is central to VALNOR’s success: As a private company it can attract the specialized skills and management capacities that are lacking

in the region. This is in contrast to other municipalities which run operations independently or through smaller companies (waste management being a formal competence of local authorities), but they are not as efficient or ambitious as VALNOR. However, as the company is owned by public authorities there is no pressure to drive up profits at the expense of sustainable development. The company is paid by tonne of waste managed, but any profits that are made are reinvested in the company or used to bring down the cost of waste management, which saves money for the municipalities. In summary, the partnership of public authorities which own VALNOR ensure that the company serves the interest of the region rather than private shareholders.

Cooperatives are much more common and successful in Portugal compared to Spain, according to Anibal Martins, Chair of the Association of Agricultural Cooperatives (CONFAGRI) as well as President of the Agricultural Cooperative of Beja and Brinches in Alentejo. There is a long tradition of cooperatives and Portugal was one of the first countries to pass a law that recognised and regulated them as trade unions. Interestingly, this law identified the role of cooperatives in furthering regional development, stating that trade unions “could constitute, promote or encourage the creation of mutual support banks, cooperative societies, insurance mutual benefit societies, credit banks, economic banks or any other institution which would help increase regional development” (Guitérrez, 2005, 54). Anibal Martins believes that cooperatives are ideally placed to solve some of the problems of the global market place and meet the demands of the consumer. He argues that as a growing sector, the distribution of olive oil is becoming concentrated in a small number of companies, which creates disequilibrium in the market. Also, many are buying olives from different countries but processing them elsewhere and branding the product as olive oil from that country. If adequate support is given to cooperatives they can challenge the big distributors of olive oil. Cooperatives can provide a direct link between the producers and the consumers, curbing the power of large supermarkets and suppliers. Furthermore, olive oil from a cooperative guarantees that the olives are produced in a certain region which satisfies the consumers increasing demand for quality and ‘traceability’.

Anibal Martins has been instrumental in rebuilding the cooperative movement in the area after several failures, notably the Serpa Cooperative. Although the Cooperative of Brinches and Beja has been very successful, others have failed because of poor governance and management. Producers have to trust that the managers treat all

members fairly and are professional in their approach. If this is not the case the cooperative can fail and producers will lose faith in collective action. However, he believes that cooperatives can be reformed to make them more successful. Many are based on the ideals of the 1974 revolution; under the *Estado Novo* agricultural production was still often managed collectively, but it was under the strict control of the dictatorship in organisations called *Greimos de Lavoura*. The independent cooperatives that were re-established after democratisation ensured that no single producer had control and installed the principle of one member one vote in their constitutions. However, this can prevent large producers from not cooperating as they lose control, resulting in the loss of a critical mass.

As already discussed, UCASUL is a company owned by a union of several olive oil producing cooperatives in the South of Alentejo, together representing more than 10 000 farmers. However, the Cooperative of Beja and Brinches is by far its most important member, holding 76% of the company's capital. The case of UCASUL is interesting because the company has built on the success of a cooperative tradition in the region and extended this into other diversified activities. The most important is the production of *bagasco* (dried olive oil residue used in the food manufacturing industry) at its plant on the outskirts of Alvito. An important reason in the success of the Alvito operation is that the production cycle functions on the basis of a high level of trust between the olive farmers and the company. Producers pay to deliver their residue to the plant but do not know what price they will receive once it has been used, since this is determined by both the market and final product quality which depends on environmental conditions such as humidity.

Secondly, the company has inherited the principals of community development from the member cooperatives. Although many of the jobs in the factory do not require skilled labour and experts are drafted in during the campaigns, on the job training is given to all employees whatever their previous education. For example, one of the employees could not read but the company provided teaching, helping in a small way to improve the historical problem of illiteracy in the region. Similarly, the principle of co-responsibility inherent in cooperativism is adhered to as the managers are required to take part in all aspects of the production cycle as part of their induction, including menial tasks.

Thirdly, the amalgamation and union of cooperatives has provided the scale required to be profitable; smaller firms have tried but failed in reprocessing *bagasco* for this reason. In addition, the critical mass has allowed it to extend and diversify its activity so it now buys olive residue from independent producers and has plans for biomass; a ‘green’ industry that will help increase the region’s renewable electricity production.

The cooperative tradition in Alentejo can be seen as an important aspect of its regional capability. It allows production to be controlled collectively by the producers of the region. Prices must be competitive on the global market but it ensures that the added value of a product is not lost by selling to large processors and distributors that control prices. It also allows smaller farmers to operate under the same conditions of larger producers and receive a fair price for their products.

5.4.5 Social and cultural factors

The stereotype of ‘Alentenjanos’ is that they lack ambition, which is often blamed for the low levels of productivity and entrepreneurship in the region. One interviewee commented that “Alentenjanos are easily pleased; they enjoy being outside and watching the seasons change, they are happy if they have a goat to grill at Easter time and don’t demand many consumer products” (Interview with Carlos Martins, Alvito, 28th September 2009). However according to others, if followed too closely the stereotype is an unfair and unhelpful type of cultural determinism. It may also be a generational issue as in the *Estado Novo* there was a large peasantry that was dependent on the region’s landowners, often suffering from exploitation. It left them with no hope of improving their position in society and they did not develop the capacities to adjust and be creative.

The legacy of the *Estado Novo* also continues to cause problems of mistrust and lack of cooperation. One interviewee commented that he did not trust the local mayor who represented the Communist party purely out of opportunism. He said that the mayor had also continued to discriminate against his business because he came from a family associated with the old regime. While it is difficult to draw conclusions from anecdotal comments, the fact that people still talk about the revolution regularly and point to social divisions in the region openly suggest that many have not moved on from this period of social conflict. It shows how historical legacies can significantly shape current social structures.

5.5 Conclusion

This chapter has attempted to analyse economic facilities from a geographical perspective. These facilities include the freedom to produce, exchange (trade) and consume. It found that the regional economy of Alentejo has a high potential but that because of various historical and institutional factors it has been difficult to convert the region's resources into valuable results for a large number of people. Economic facilities are affected by traditional locational factors; e.g. distance to the market, but they are also limited by weak institutions. In particular, the interaction between different sectors is not promoted at the regional scale because the state is still centralised in separate ministries that do not work well together. In the absence of strong institutions, economic facilities remain unevenly distributed within the region. Moreover EU programming may act to entrench these spatial inequalities. In order to enlarge economic facilities and extend them across the region, the example of successful firms and cooperatives such as VALNOR and UCASUL could be replicated in different sectors. Furthermore, there is a strong need for companies to work together in order to retain the added value of products, and improve its position in the international division of labour. In order to do this strong institutions and greater cooperation between the public and private sectors are needed.

CHAPTER SIX:

POLITICAL FREEDOMS, CIVIL SOCIETY AND TRANSPARENCY

6.1 Introduction

The importance of political freedoms for their intrinsic value cannot be underestimated (Sen, 2001), despite many examples where their denial has been justified with Machiavellian type arguments. In developing or ‘newly industrialised countries’ one justification has been that civil and political rights hinder economic growth, which is argued to be the priority for most people, especially those who are struggling to earn a basic living⁶⁸. This argument is fiercely disputed by Sen (2001, 149-151), insisting that there is in fact no positive relationship between authoritarianism and economic growth⁶⁹. In contrast, there are many important instrumental arguments in favour of democracy, from the proper functioning of the market economy to the avoidance of famines. Moreover, unrelated to their instrumental value, he presents evidence to show that political freedoms are in themselves valued equally as much, if not more than economic opportunities⁷⁰. Despite the differences in context, the analysis of local and regional development in Europe can be made using similar arguments about the intrinsic and instrumental values of democracy and ‘good governance’.

Democracy in Portugal may not be as mature as the country’s status of an EU member suggests since it is in fact relatively new. The participation rate of 91.66% in the first democratic elections for the national assembly in 1975 shows how much this basic political right had been missed during the dictatorship. Yet the negative legacy of the country’s authoritarian past, including corruption and clientelism continues to haunt the

⁶⁸ This is part of the so-called ‘Lee thesis’, named after the former prime minister of Singapore, Lee Kuan Yew (Sen 2001, 148)

⁶⁹ The success of the East Asian tigers was, according to Sen, a result of the social and economic policies of the governments in power at the time, not because they were authoritarian regimes. The evidence used by Sen has however been disputed, for example by Corbridge (2002) who argues that authoritarianism may well be more successful in creating economic growth at certain times, even though the direct importance of democracy as a human right makes it a more morally preferable choice.

⁷⁰ One of the examples he uses is the Indian election of 1977 which the incumbent Prime Minister Indira Gandhi lost because of the suppression of political rights during a period of ‘emergency rule’ in the mid 1970s

country (de Souza, 2001), which can be seen by several recent scandals concerning party financing and public procurement contracts. Importantly, it is not just the technical existence of democracy which matters but how it functions in practice. Even in mature democracies there are differences in the level of participation, meaning the extent and depth to which people are involved in political life and public decision making. In addition, the quality of democracy can also be judged by the extent to which subsidiarity is observed, a founding principle of the EU with roots in moral philosophy, which suggests that power should be exercised as close to citizens as possible.

Table 6.1: The different values of democracy for freedom

Classification of values by Sen	Meaning	Examples
<i>Intrinsic</i>	The importance of democracy in itself for the ability of people to choose and have a role in the society in which they live.	Basic political and civil rights, equal respect and dignity inferred by universal suffrage.
<i>Instrumental</i>	The opportunities, efficiency and justice provided as a result of a well functioning democracy.	Transparency and avoidance of corruption, participation and leadership, mandate to make reforms and act externally.
<i>Constructive</i>	The role of democracy in improving a society's awareness of the problems and opportunities it faces and in revealing priorities.	Public debates, citizen's parliaments, media coverage, reduces apathy, improves democracy itself (which in turn adds to other two values).

Source: Author

In addition to the justification of political freedoms with intrinsic and instrumental arguments, their constructive value in the formation of economic preferences is seen as particularly important by Sen (2001, 153-154). Faced with the homogenizing process of globalization and the role of the market in shaping preferences, Sen argues that public discussion, debate and transparent democratic procedures enable communities to define what they consider to be of substantive value. Although Sen concentrates on the relationship between political freedoms and economic decisions in *Development As Freedom*, elsewhere he emphasises their role in a broader sense: "The reach and effectiveness of open dialogue", writes Sen (1999, 8) "are often underestimated in assessing social and political problems".

As with other capabilities the different values of political freedoms overlap, but in this chapter the analysis is structured into three corresponding parts (see Table 6.1 for an overview). The positive and negative aspects of local and regional governance from a capabilities framework are analysed. However, the chapter also highlights several limitations of the Capability Approach (CA) based on evidence about local and regional governance in Alentejo.

6.2 The intrinsic value of local and regional democracy

In many European countries, the decentralisation of power to sub-national authorities and communities has happened because of the perceived advantages this will bring to local and regional economies (Morgan, 2002, Rodriguez-Pose and Gill, 2005, Keating et al., 2003). For example, the so-called ‘economic dividend’ was the main justification for devolution in the UK, in Scotland and especially in Wales, as well as in the English regions (Morgan, 2008, Tomaney, 2002). In fact, there is some debate in the literature over whether devolution does in fact aid economic development. However, whether this is true or not is an instrumental question that the CA would consider *in addition* to the intrinsic benefits which devolution may bring. The evidence from Alentejo suggests that a large proportion of its residents have reason to value more political freedom at a local and regional level *in itself*, as well as its potential economic or other dividends.

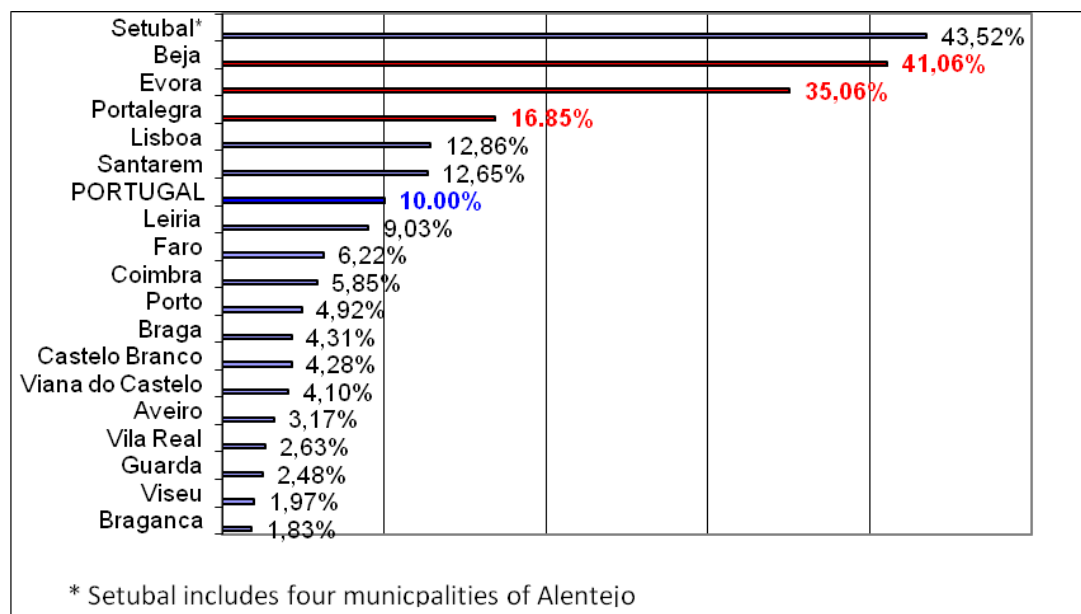
This argument is illustrated by an anecdote from the municipality of Barrancos in Southern Alentejo. Situated a good distance from the right bank of the River Guadiana on the border with Spain, Barrancos is one of the most geographically isolated localities of the region and indeed the whole country. It is the smallest municipality in Portugal with only one parish and a population of less than two thousand people. However, it has long had a very strong local identity which is one of the reasons why it has retained its status as a local authority rather than being merged with neighbouring Moura. It even has a legal anomaly, as bulls can be killed during the *tourada* (bullfight) which is forbidden in the rest of Portugal unlike in Spain. Barrancos was also one of the poorest areas of Portugal before democratisation and lacked many basic services in 1974. After the first local council was established, members debated the development priorities and decided that ahead of electricity and water supply the municipality needed a bullfighting ring. Although to many this decision may seem absurd, it shows that the existence of

local democracy gives communities the freedom to choose what they value and is therefore intrinsically important. In fact, over time the Council changed its priorities and the bull fighting ring was never built - Barrancos is now famous for its *tourada* in the village square, which illustrates the constructive value of democracy discussed in section 6.4. However, the point is that irrespective of whether local democracy has any instrumental use, the freedom to participate in the political process and decide on how resources are used are themselves intrinsically valuable capabilities for places.

6.2.1 Local democracy in Alentejo

Chapter Three noted that in Portugal the municipality has long been important in terms of local identity. In addition to the land and environment, local government is an integral part of this identity and this is especially true in Alentejo. For example, in the

Figure 6.1: Proportion of vote received by the Communist Party in 2009 mayoral elections



Source: INE

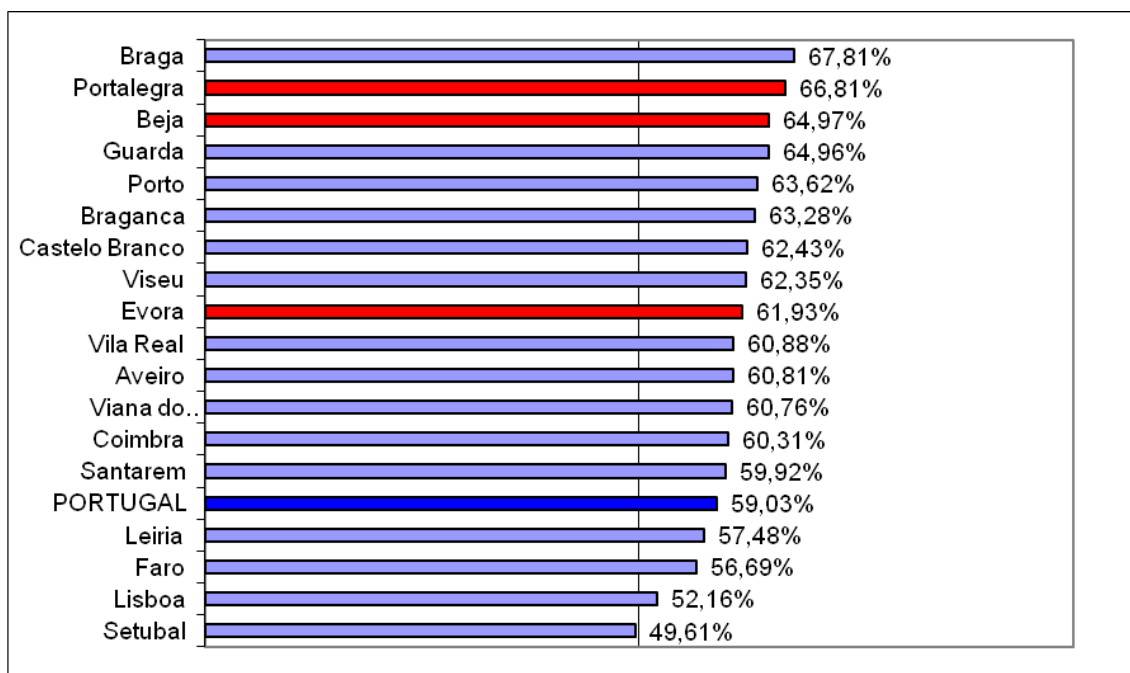
village of Alvito the distinctive town hall is located in the centre; a position usually taken by the church in most Portuguese villages and towns⁷¹. During the *Estado Novo* resistance to the dictatorship began at the grassroots in Alentejo and since democratisation the region has become known for its strong support of the Communist

⁷¹ Alvito does have a distinctive church from the Sixteenth Century but it is located in a secondary position on the outskirts of the village.

Party⁷², as shown in Figure 6.1. Today, associational life is often linked to the town hall and municipalities are usually the main organisers of social and cultural events. In the period of campaigning before the municipal elections there is much activity in the streets when parties and rallies are organised by the candidates.

The importance of local democracy to the people of Alentejo is also demonstrated through an analysis of participation rates in elections. Firstly, as illustrated in Figure 6.2, in the elections of October 2009 for the town hall executive, the three districts of Alentejo had some of the highest rates in the whole country. Portalegra and Beja in particular registered notably high rates of 66.81% and 64.97%, compared to the national average of 59.03%. In fact, whereas abstention is growing in Portugal as well as in most other western democracies, Beja was the only district that saw an increase in the participation rate compared to the local elections in 2005, rising from 63.71% four years earlier (INE).

Figure 6.2: Participation in 2009 Mayoral elections by district



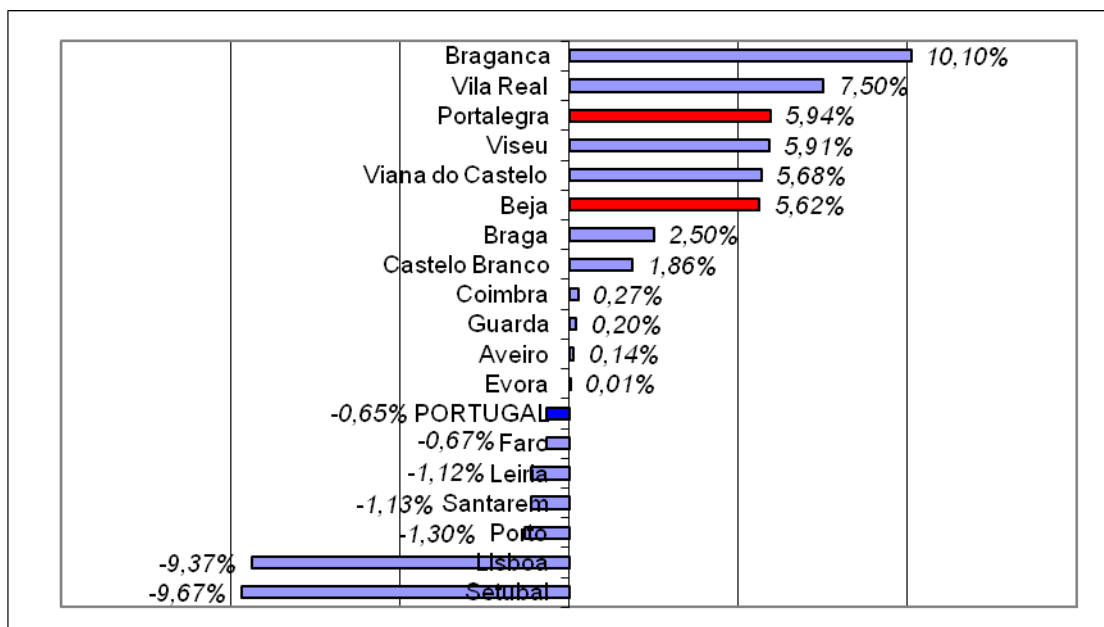
Source: INE

Secondly, a comparison with the national elections shows that the town hall is becoming relatively more important for people in Alentejo compared to national

⁷² In Portugal the far left is split between the Communist Party and Bloco de Esquerda; the latter is stronger in urban areas whereas the Communist Party represents much of the rural working class.

politics. In fact, as illustrated in Figure 6.3, this is a national trend since in 2009 the participation rate in local elections was higher than in the national (general) election in twelve out of eighteen districts. In 2005 it was higher in only nine.

Figure 6.3: Difference in participation in local elections compared to national elections in 2009 by district



Source: INE

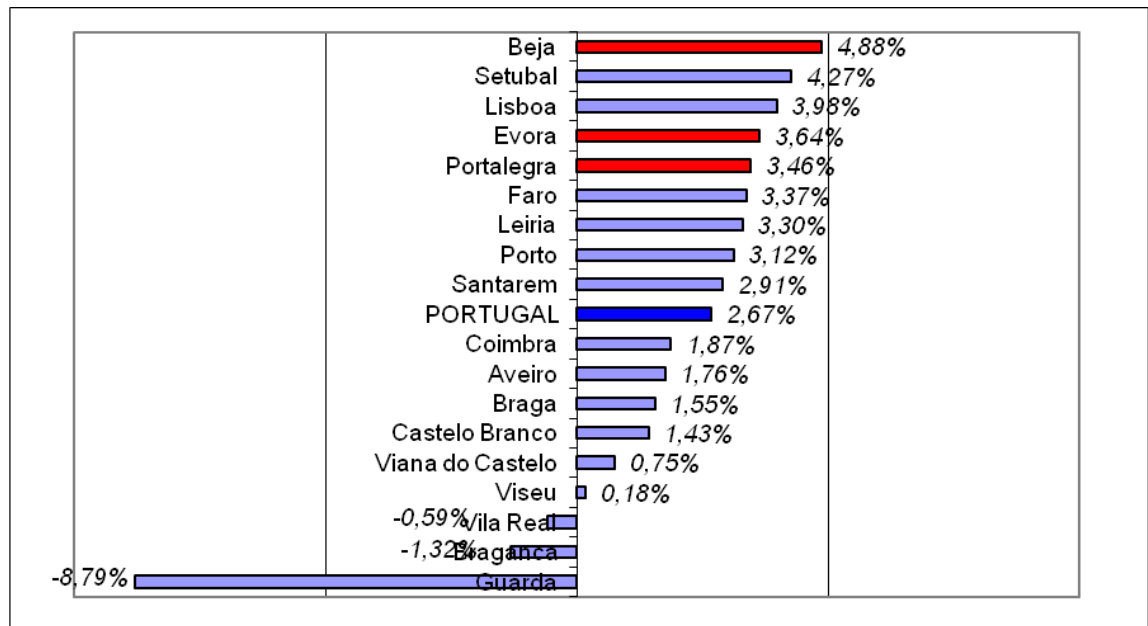
However, an analysis of the differences in participation rate reveals that the *relative* importance of the local elections compared to the national one grew the most in Alentejo compared to the rest of the country⁷³, as shown in Figure 6.4. Although the results of this analysis shows that the districts of Lisbon and Setubal also had a large increase in the relative importance of local elections this was because of an already very low participation in local elections; the relative difference therefore grew as the national participation rate fell much more strongly than the local one.

From these results it is possible to observe that local democracy is more important to people in Alentejo than is national politics and increasingly so. Given that competencies

⁷³ The values were calculated by subtracting the differences in participation rates between the local and national elections in 2005 and 2009 which can be shown in the following formula:

$$X = (PRL\ 05\ \% - PRN\ 05\ \%) - (PRL\ 09\ \% - PRN\ 09\ \%)$$

Figure 6.4: Change in variation levels of participation in local and national elections between 2005 and 2009 by district



Source: INE

of local government remain very limited it may be considered a puzzling trend since it is easy to see how the central government continues to be the most influential factor in shaping economic and social life. However, these results show that this is not the perception of many people in the region. Perhaps it is because sparsely populated regions do not elect many MPs and therefore people feel that it makes little difference to the government in how they vote. This is shown in figure 6.4 where the districts which participated more in the 2009 national election compared to the local election are the most populous (i.e Lisbon, Porto and Setubal). It may also be that local government is more visible and easier to influence, making it a central part of people's lives, which is also the conclusion drawn from the interviews. Figure 6.3 shows that geographically peripheral districts such as Braganca, Vila Real and Viano do Castelo as well as those in Alentejo participate more in their local elections than the national one, some by considerable margins.

If there are national trends, Alentejo still stands out as the place where people most value local government and this is more obvious over time, as shown in Figure 6.4. Another factor underlines this point, which is the growth and strength of independent groups of citizens which participate in elections and run town halls. This legislative change introduced in 2001 was described in Chapter Three but so far it has only been

effective in some places. However, Alentejo has proportionally seen many more independent town halls and they have been considered very successful. In the 2009 elections just seven out of 308 municipalities elected independent mayors but four of these were in Alentejo (Alandoral, Estremoz, Sines and Redondo). This was an increase from two in 2005, also out of seven nationally; in 2001 there were three, but none in Alentejo⁷⁴.

Interestingly, two of the new independent town halls mandated by the 2009 elections (Alandoral and Estremoz) border on Redondo which had been independent since 2005 and is regarded as having a very successful town hall. The mayor of Redondo, Alfredo Barroso has in fact been in his position since 1982, first as a representative of the Communist Party. However, he left the party in 2004 because of its opposition to economic development and led a group of citizens. In 2009 the group increased their share of the vote by more than ten per cent from 43.79% to 53.9%. The strong support shows firstly that the people of Alentejo are not only Communist Party followers as is the perception elsewhere in Portugal, but more importantly that they value the right to elect their leader who in this case had been very popular.

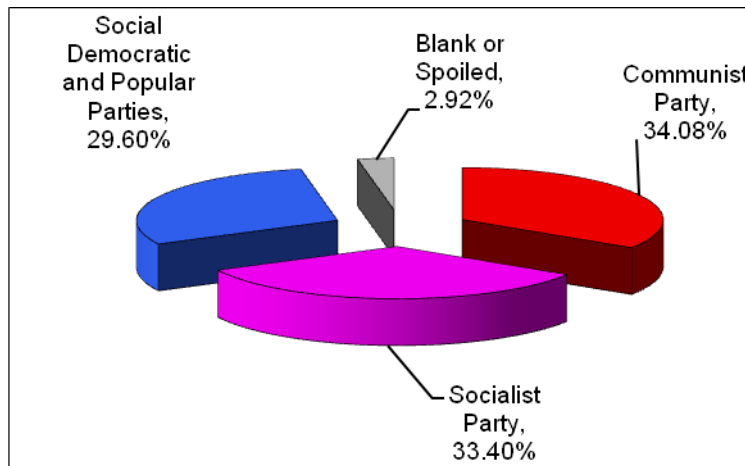
Another independent mayor was elected in 2005 by the people of Alvito in Southern Alentejo. João-Paulo Trindade, formerly a teacher at Beja Polytechnic, had never been involved in party politics but had lived all his life in the municipality and wanted to try and make a difference to his home area. In addition his father and grandfather had both been mayors of Alvito. The change in the law allowed Sr. Trindade to take advantage of the freedom to stand for election which had not been possible before 2001 when party politics had been the only route to the town hall. In fact, he said that being an independent mayor gave him and the municipality much more freedom since “many mayors receive their orders from the national party” (João-Paulo Trindade, 19th September 2009, Alvito). Furthermore, in both Redondo and Alvito the town halls have become more open and transparent under the control of the citizen’s alliances. In 2006 Alfredo Barroso initiated a programme to allow citizens to know more about their local council and how they can participate in the life of the municipality. In Alvito council meetings became open to the public and meeting times were changed to ensure people

⁷⁴ They first town halls to be led by Grupos de Cidadões were: Penmacar (in the district of Castelo Branco), Alcanena (Santarem) and Ponte de Lima (Viana do Castelo),

had the chance to attend. Public consultations were also introduced through debates at the town hall and postal questionnaires.

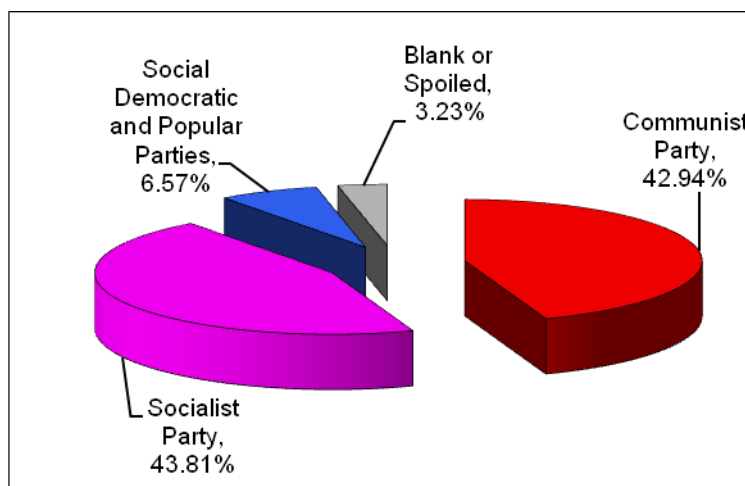
During the election campaign for the 2009 municipal elections field work was carried out in the municipality of Alvito which showed that local democracy is vibrant and that people value participation in municipal life. The campaigns were followed closely in the

Figure 6.5: The 2009 Results of mayoral election in the municipality of Alvito



Source: INE

Figure 6.6: The 2009 results of mayoral elections in the district of Beja (Median %)



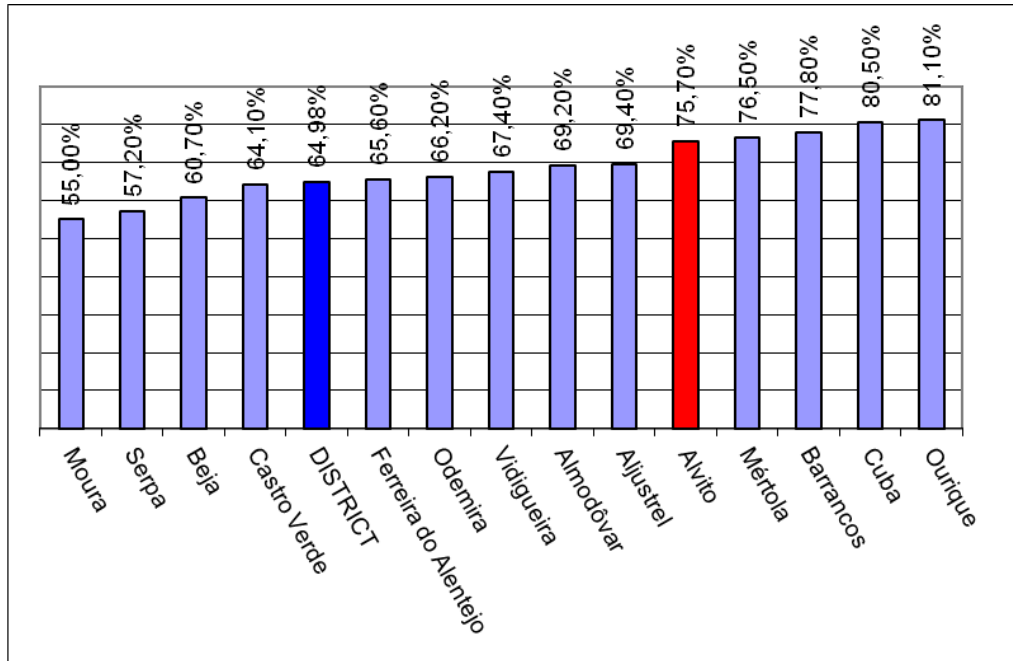
Source: INE

two villages of Alvito and Vila Nova de Baronia, according to informal discussions with the Alvito Association of Alentejo Singers and parishioners at the church in Vila Nova de Baronia. Many regretted the decision of the current Mayor, Sr. Trinidad not to stand and were divided over who to elect next. Residents said that the issues under discussion were much more relevant to their daily lives than those dominating the national campaign running at the same time. Others referred to a radio debate among the candidates on Radio Pax, one of a series of debates that according to the station received a high level of

listeners and which could have been one of the reasons why Beja increased its participation rate from the previous election. In the end the election in Alvito was closely fought with a three way contest between the main parties, as shown in Figure 6.5. In fact, there was less than a five percent difference between the first and third

placed parties⁷⁵. This was unique in the whole of Alentejo, since as Figure 6.6 shows, municipalities in Alentejo are usually dominated by one of the two main left wing parties. In addition, Alvito was one of five municipalities in the district of Beja that had a participation rate of over 70%, as illustrated in Figure 6.7.

Figure 6.7: Participation rate in the 2009 mayoral elections in the district of Beja, divided by municipality



Source: INE

The reasons why Alvito seems to have a strong local democracy are partly historical. It occupies an area South of the Portel hills that together with Cuba and Vidigueira used to be more densely populated than other parts of the region but which declined rapidly in the Twentieth Century and several smaller municipalities were merged (Gaspar, 1993, 161). Since then it has been proud of its independence, which may be a reason why it was one of the two municipalities which first elected independent mayors and why no one party has dominated the town hall like most others (since democratisation five different parties have run the town hall and it has changed hands over the last three consecutive elections). It is perhaps also the reason why the candidate from the Socialist Party argued that the biggest threat to the municipality was its integrity, fearing that it may be amalgamated again. Proposals to reduce the number of municipalities have been

⁷⁵ The only other municipality coming close to a similar contest was Nisa in upper Alentejo, but this still had more than a 12% difference between first and third placed parties.

made by national political parties as some consider there to be too many, making them inefficient and costly. This is despite the fact that they are among the largest in Europe (Silva, 2004). From a capabilities perspective the democratic vitality of Alvito suggests that small municipalities are good for intrinsic freedoms as they allow widespread participation.

Overall municipal elections in Alentejo and especially Alvito show that a strong local democracy can be considered a central element to a geographical reading of the CA. There are issues related to the competencies and thus effectiveness of local government and this can be seen more in the debate about regionalization discussed below as well as in questions about the instrumental value of democracy tackled section 6.3. However, despite these limitations, the analysis shows that there is still an intrinsic value of participating in local democracy at the municipal level and this could therefore be strengthened as part of a CA to territorial development.

6.2.2 Views on regionalization

If local identity is important in Portugal, evidenced by high local election turnout and participation, regional identity is weaker in many parts of the country. However, Alentejo is an exception since it is more geographically defined and culturally homogenous than anywhere else on the mainland, as explained in Chapter Three. The archipelagos of Madeira and the Azores had strong regionalist sentiments that could not be ignored by the central government and power was devolved in 1976 according to the new democratic constitution. The constitution also provided for a regional level of government on the mainland but was never implemented. Of all the regions outlined in the constitution, Alentejo (with Algarve) has kept its original borders in the wrangling about defining the regions (which one of the reasons why the referendum of 1998 failed). Regionalist sentiments have been strong in Alentejo but a regional government has remained elusive.

As has been noted, Alentejanos are known to be particularly proud and all interviews in the region showed that a regional government would give them a sense of pride; some would argue an intrinsic value in itself. Many said that they would value having more influence on their development, or in the words of one interviewee, “to hold the future in our own hands, even if it takes us some time to learn how to govern ourselves well” (António Coelho, Évora, 29th September 2009). Others noted that the region had

long been dominated by outside powers and that a regional government would be a symbolic achievement. Moreover, the analysis of elections shows that participation increases when democracy is closer to home and therefore regional government would give people in Alentejo more opportunities to participate in the democratic process, both in formal elections but also in consultations, debates and the media. These arguments are aside from whether regional government has instrumental value or not, as discussed in the next section.

The fact that regional government would be popular and valued in Alentejo meant that there was considerable frustration when Alentejo voted in favour of devolution in 1998 but the referendum failed because there was a national majority against. Some in Alentejo suggested that the failure to establish regional government was illegal as a majority within the region had been in agreement. Regardless of whether this is true, these sentiments reveal a genuine grievance that despite the will of people in Alentejo they have not been given the autonomy enjoyed in Madeira or the Azores. Many of the arguments put forward by those against regionalization do not apply to Alentejo: It was claimed that the regions were too small for self-government, but Alentejo is larger than many countries such as Belgium or Slovenia. It was also claimed that the regions were not well defined and were administrative rather than cultural definitions, but this is not the case with Alentejo.

The fact that the referendum was lost because of the votes of people in Lisbon made matters worse (all municipalities in that district bar one voted against in large numbers). There is a perception in Lisbon that devolution would weaken the capital and this adds to the sense of injustice in Alentejo. There is a feeling in Alentejo that the region has great potential but while this may be true there are also many social and economic problems that require difficult decisions.

An issue which underlines the failure of central government to recognise the identity and political culture of Alentejo concerns the borders of the NUTS II regions. They may just be statistical units in many parts of Europe but in Portugal they have been used as the boundaries for the CCDRs, the only attempt at some type of regional governance: In Chapter Three it was reported that the central government has rationalised all sub-national bodies into the NUTS II regions as a preparatory stage for new attempts at devolution. Yet, for the 2007-2013 programming period the NUTS II region of Alentejo

was extended to include the NUTS III region of Lezaria do Tejo, part of the historic region of Ribatejo. This area was formerly part of the Lisboa and Val do Tejo NUTS II region between 2000 and 2006 but as Lisbon was to lose its objective one status (now called ‘convergence’ objective) it was moved to Alentejo. The CCDR in Alentejo voiced objections to the change but this was not accepted by the central government which made the final decision. This type of technical gerrymandering is common in Europe but the example of Alentejo shows that it can compromise a region’s attempts to build on its common identity around a coherent geography and increase its political capital. The influence of the central government is a constraint on the region’s freedom to define its borders, which can be considered a basic or ‘intrinsic regional capability’ that was denied to Alentejo.

In an argument mirroring the one put forward in developing economies that social services or democratic freedoms should be considered after the creation of wealth, some argue that attempts to give Alentejo greater political autonomy distracts from the main priority of economic development. The next section will show that autonomy may be part of the solution to the regional economy, in a similar way to developing economies which achieve growth *through* the active participation of the population. However, this section has attempted to show that regardless of any instrumental advantage, greater local and regional autonomy can also be considered as intrinsically valuable and be pursued independently of other justifications. It lends support to the principle of subsidiarity in political philosophy that can be seen to strengthen the intrinsic capability of democratic participation.

6.3 The instrumental role of local and regional political freedoms

In *DAF* (2001, 146-160) and a related essay *Democracy as a Universal Value* (1999), Sen addresses the instrumental role of democracy in providing political incentives for governments to address economic needs. He concentrates on economically disadvantaged groups such as the poor facing famine in developing countries or racially segregated communities in Western democracies. The avoidance of famine is a central issue of his work related to entitlements and he argues that no widespread famine has ever occurred in a democracy. However, he also insists that the instrumental role of democracy depends on the level and quality of participation; for example open debate, a

good opposition and a critical media, not just the existence of fair elections. The poor quality of democracy can therefore be seen as the reason why some groups have been marginalised in Europe, despite the existence of democracy for some time. A current example of where democracy may have failed, or more positively can be seen part of the solution, is the financial crisis that has resulted in uneven and unfair economic consequences and which was caused by the weak regulation of banks. This has led to a consensus across the political spectrum in many countries that financial institutions need to be controlled more vigorously.

The question that needs to be addressed from a geographical point of view is how local and regional democracy can provide appropriate political incentives to meet economic needs and foster widespread opportunities. There are two inter-related factors: one is the quality of sub-national democracy but equally as important is the competencies and resources which local and regional authorities have to act. In Alentejo, the instrumental role of democracy is weak because of three reasons. Firstly, its small population reduces its influence in national politics. Despite occupying more than a third of the territory, it only elects eight out of the 230 MPs (3.5%) which sit in the *Assembleia da Republica*, the Portuguese Parliament⁷⁶. The quality and practice of democracy in terms of participation in national politics has not been measured, but the small representation of the region in parliament means that their MPs have fewer opportunities to influence government. As Portugal is one of the most centralised countries in Europe there is a greater risk that national policies are designed without being sensitive to regional differences (Rodriguez-Pose and Gill, 2005), especially those regions with less political influence.

In Alentejo there are a number of important large scale, state sponsored economic development projects that are accountable to central government; notably the Alqueva reservoir and associated activities and the Port of Sines. Secondly, there is a democratic deficit at the regional level, since despite a considerable budget for economic development thanks to the EU's structural funds and the fledgling Regional Development Agency (ADRAL), there is no direct accountability. The increasing role of Associations of Municipalities in the governance of regional development partially

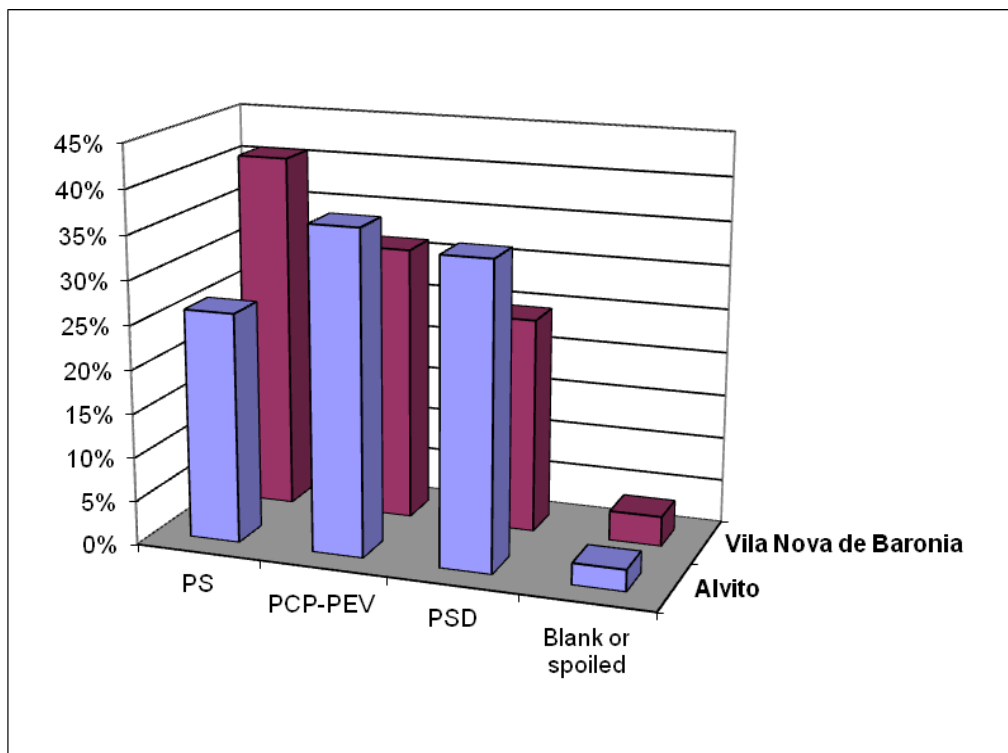
⁷⁶ In fact it has slightly more as the four Alentejan municipalities in Setubal district contribute to the 17 MPs elected there, but the most populous parts of the district are not in Alentejo and therefore in the PR system only has 8.94% of the votes, equalling roughly 1.5 MPs.

helps to address this deficit, but it is still difficult to argue that there is a political incentive at the regional level, with most accountability coming indirectly through the central government – an institution which as noted does not have a strong reason to listen to voters from Alentejo. Thirdly, even if local and regional democracy was strong – and in the case of the local level there seems to be widespread participation – sub-national authorities, namely municipalities, the quasi independent CCDR and the Associations of Municipalities, have little power to affect daily life in areas such as education, health or economic development.

6.3.1 Quality of local and regional democracy

As has been shown in the first section of the chapter, Alentejo does have high levels of participation in local elections and fieldwork showed that there were opportunities for debate and criticism about the way municipalities had been governed, at least during the election campaign. The series of debates broadcast by Radio Pax in Southern Alentejo and viewpoints in local newspapers provide evidence, even though a systematic survey of media coverage was not undertaken.

Figure 6.8: Results of the local elections in the municipality of Alvito on 11th October 2009 by parish



Source: INE

The case of Alvito illustrates well the political imperative for mayoral candidates to address all parts of the municipality. There are two equally sized towns within the locality, Alvito and Vila Nova de Baronia which means that the winning candidate needed to attract support from both places. As illustrated in Figure 6.8, whereas the Socialist candidate gained large support from voters in Vila Nova de Baronia where he lived, he was third place in the parish of Alvito. Likewise, the PSD candidate performed well in Alvito where he lived, nearly winning the vote there, but he fared less well in Vila Nova de Baronia. By comparison, the winning candidate's vote was high in both parishes which allowed him to win the election.

Other positive developments for local democracy concerning reforms to the procedures in town halls were observed in the municipalities of Alvito and Redondo as already noted. However, there are also weak aspects that can be identified as a limitation to its instrumental role. For example, while the position of mayor can provide important leadership for the municipality, it can also allow power to become concentrated in one person. This combined with a history of elitism and factionalism in Portugal can lead to perceptions (actual or real) of favouritism and discrimination. This is particularly the case with the planning system which is one of the main competencies of local government. For example, in Serpa, the Communist Party has been in power since the revolution and a local farmer complained that he was being discriminated against:

“I have no problem criticising the mayor openly as I am already known as a monarchist here....this family are Absolutists⁷⁷ and the Communists have been in power since the late 1970s....we are thus discriminated against....all my land is designated as green [development is prohibited] were as identical land the other side of the road is designated brown [development is allowed]” (Francisco Carvalho, Serpa, 2nd October 2009).

Whereas it is difficult to verify this claim of political discrimination, those who have analysed the Portuguese planning system argue that it remains a centralised system at local and national level and there is no real involvement of stakeholders despite legal provisions for consultation. As Cardoso and Breda-Vázquez write (2007, 397), “the institutional conditions created by the Portuguese planning system inhibit and prevent most people from actively participating in making decisions that affect the conditions of their lives and actions”.

⁷⁷ Absolutists referred to one faction in the Liberal wars in Portugal (1828 – 1834) who were conservatives and authoritarians, compared to the constitutional progressive liberals.

At the regional level there is a large democratic deficit which prevents the participation of residents in the governance of Alentejo. This is illustrated in the negotiations within government over the Spatial Plan for Alentejo (PROT), part of the National Spatial Plan (PNOT). The CCDR coordinated a large scale consultation of stakeholders in the region and subsequently produced a draft plan. However, this plan was changed radically by the government, prompting its Vice-President to complain:

“It may be that our proposals reflect the will of the people of Alentejo, but as we are part of the central government, ministers can change whatever they like and there is nothing we can do about it.” (Dr Jorge Honorio, Vice President of the CCDRA, Évora June 2009)

This example shows that there is no political incentive for the will of the people to be accepted. If those who participated in the stakeholder consultation were unhappy with the changes they would have to vote out the central government and as Alentejo only contributes a small number of MPs to the national parliament this is unlikely. Decision making at a lower level better reflects the citizens of a region. This view was given by other interviewees. For example, Prof Neto of Évora University helped to draft the evaluation of the 2000-2007 Operational Programme in Alentejo. One of the criticisms was that consultations were too bureaucratic and that there is a need for better engagement with citizens and businesses in Alentejo about the priorities for development programmes.

Interviews at the CCDR with the Vice-President and the Director of the Regional Operational Programme showed that despite being part of central government, they cared passionately about the future of Alentejo. However, the lack of democratic legitimacy made their negotiating position with other ministries in Lisbon or the decentralised offices in Évora very difficult. For example, one of the tasks of the CCDR is to draw up regional integrated strategies but it encountered a lack of cooperation with other ministries who jealously guarded their own competencies, especially powerful ones such as the Ministry of Education. A democratic mandate through regional elections would allow the CCDRA to become a genuine voice of the people and enable it to defend the interests of Alentejo. Currently there is no political incentive for central government to consider the views of the CCDR since it alone has a democratic mandate.

One of the biggest obstacles to regional capabilities in Alentejo appears to be the difficulty that municipalities have in cooperating, since there are instances where joint

service provision or administration would help citizens and businesses. The reasons may be because of a lack of 'bridging' social capital as well as the persistence of clientalistic relations with the centre which provide little incentive for cooperation. As one interviewee put it,

“Although the municipalities of Alentejo are often governed by the same [Communist] political party, and although they understand the benefits of cooperation, when it comes to it they practically are unable to work together, they close themselves to each other” (Dr. Jorge Honrio, Vice-President, CCDRA, 3rd September 2009).

The lack of cooperation is shown by the example of a tourist initiative called *Rotas de Frescos* which organises tours of fresco art found in the churches of Alentejo. An innovative project to market a group of municipalities as a tourist destination for the discovery of art, *Rotas de Frescos* was initially sponsored by the participating local authorities. The project was led by a young expert in the field who had recently completed her PhD in art history. The project manager said that initially it worked well and with the financial help of the local authorities there were free tours for local people, which allowed them to understand their own cultural heritage and gave them an element of ownership of the project. However, for two years there had been disagreements between the local authorities related to the running of the project, in particular concerning the itineraries of the tours since not all sites could be included. Similarly the idea of setting up a shop to sell souvenirs to tourists did not work because each local authority wanted the shop to be located in their municipality; in the end there was an unworkable compromise to have a shop in every location. Finally, one of the local authorities tried to promote their own municipality by placing its logo on the bus which they provided (others were responsible for different elements) and this was not welcomed by the other municipalities nor the project leader. In the end the project became independent of the municipalities. The project leader has started a company to run the tours and hopes to be in profit soon. However, it would have been much more effective with the support of the municipalities and the example shows how a lack of horizontal cooperation can have a negative impact on economic development.

Recently provisions have been made to encourage municipalities to work together. This has been in the form of incentives given to local councils if they group together into Associations of Municipalities as described in Chapter Three. In Alentejo these Associations are the same as the NUTS III regions (Alentejo Alto, Central, Baixo and

Littoral) which provide a good institutional framework for enhanced cooperation based on the use of EU regional funds. Of all the regional Operational Programmes, the Associations of Municipalities in Alentejo have been devolved more competence than in any other NUTS II region. This is a positive development because while EU rules still have to be followed, recipients of the funds have a more local and accountable managing authority with a political incentive to spend the funds on time and effectively. This may remove the problem in Alentejo where a large proportion of EU funds have not been spent by the CCDR, leading to fewer opportunities for businesses and citizens in the region.

Democracy may well have an instrumental role and this can be seen at a local level in Alentejo. However, the evidence shows that democracy is more than just the existence of elections, and as argued by Sen a healthy democracy is one which encourages participation and listens to the voices of minorities. Two examples illustrate this point. Firstly, the business community as well as others have argued that the strength of the Communist Party in the region restricts economic development, since it is not in that party's interests. The electorate are currently predominantly either civil servants or the working class which both have reason to vote for the Communist Party. However, economic development attracts outsiders and creates a middle class which may not vote in the same way and therefore there is a political incentive for the status quo. A participative democracy where a locality's development strategy can be openly discussed would put more pressure on local authorities run by the Community Party to take the interests of minorities into account, in this case those who would like to develop businesses. It would also help towns and communities to understand and decide on priorities, which is part of democracy's constructive value discussed in the next section.

A second example of this type of path dependency based on the social structure of the electorate was found in Alvito, which has a large elderly population. This has led to many municipal actions targeted at the elderly such as home care. While this is positive as there is a political incentive to help this group, it may also divert resources away from other groups. This was evident during the election campaign when all candidates were very careful to outline their plans for activities that support the elderly. However, this also had a negative effect on one project that had been proposed by a retired professor regarding the restoration of the village's former abattoir into an art exhibition

space. As this was targeted primarily at the youth, but was using a site owned by the municipality the candidates insisted that there was more provision for the elderly (especially the PSD candidate). Yet this would have changed the nature of the project and thus the professor nearly abandoned it, only to be saved by last minute agreement by the outgoing Council before the election (the Council's role consisted only of the provision of the facility as well as electricity and water). In this case the role of the Professor in arguing for the interests of young people allowed for the project to go ahead. However, without the participation of young people in a wider sense then this group may not receive the attention it deserves. Moreover, opportunities for young people are very much lacking in the region and a discussion of this may lead to different opinions among the elderly too, part of democracy's constructive value. However, this said democracy may still not prevent one group's interests (the majority) winning above the general interests of a place in terms of other economic and social freedoms and this type of conflict has not been fully recognised by the CA. As Corbridge (2002, 194) writes, "there might be reason for thinking that Sen's arguments skirt too easily over the vexed question of trade-offs between different freedoms".

6.3.2 Competencies and devolution

The analysis of political freedoms has so far demonstrated that Alentejo has high and increasing levels of participation in local democracy, which can be described as its intrinsic value. However, its instrumental role is limited by the lack of freedom that local and regional authorities have to act. There may be political incentives for local authorities to meet the economic needs of the population, but if they do not possess the competencies required then they will be unable to do so. The combination of accountability and the capacity to act is one of the reasons behind the 'economic dividend' argument put forward by proponents of devolution⁷⁸ (Rodriguez-Pose and Gill, 2005). In fact the potential social and economic benefits of sub-national autonomy has recently been the main thrust behind decentralisation, replacing or at least adding to historical and cultural arguments (Keating, 1998, MacLeod and Jones, 2001).

⁷⁸ There are well developed theoretical arguments to suggest that devolution helps economic development, though there is also convincing evidence that balances this presumption and concludes that it is the specific institutional context of each place which determines whether devolution will bring a so-called 'economic dividend' (Rodriguez-Pose and Gill, 2005).

Portugal is one of the most centralised countries in Europe, illustrated by the fact that local authorities are responsible for one of the smallest proportions of public spending in all OECD countries (OECD, 2008). The issue of resources is more important than formal competencies, since many are legally shared between the national and local levels, only the municipalities do not have the means to use them. One of the areas where local authorities have little influence is economic development and yet in Alentejo it was the main subject under discussion during the election campaign. The candidates in Alvito had several ideas and proposals to stimulate economic activity, including the hosting of thematic events to publicise the municipality (PSD), the creation of an industrial zone on the outskirts of Alvito (PCP), an enterprise laboratory in Vila Nova de Baronia (PSD) and a package of fiscal and other benefits to attract firms (PS). Yet, many of these proposals are out of reach for the municipalities because a lack of competencies and more importantly financial resources. Debates on Radio Pax in all other municipalities of Southern Alentejo showed the same theme, where more than 50% of the time was devoted to economic development.

Another area in which local authorities are severely limited is education. The Ministry of Education is responsible for state education from secondary school level and the municipalities only have a role in primary education. Upgrading of resources at the secondary level has proved a highly difficult and lengthy process, one which has been particularly problematic for the Municipality of Alvito. It does not currently have its own secondary school, with students having to make a 45 minute round trip to Cuba or Vidigueira. It has taken many years to gain a secondary school of its own, which was only recently approved by the Ministry of Education. As in all countries there is an obvious finite level of resources and schools policy is planned nationally rather than locally. Due to the small population of Alvito the Ministry of Education did not consider it necessary to have a school in the municipality, but if local authorities had competencies and resources in this area the residents could have decided whether the school was a priority relative to other competing demands.

As noted in Chapter Three, the Local Finance Act of 2007 allowed municipalities to voluntarily agree to lose a proportion of their block grant from central government in return for the right to retain 5% of income tax. This has the potential of significantly improving the autonomy of local authorities in some municipalities, but unfortunately not in Alentejo. Low populations mean that the local authorities would not sufficiently

gain, and the problem is made worse because many wealthy individuals (e.g. landowners) are not registered as residents for tax purposes in the locality. The logic of the reforms is that poorer and less populated councils will not opt into the arrangement, leading to an uneven geography of dependence on the central state (a type of 'poverty trap').

While more autonomy could be given to local authorities, problems related to fiscal devolution illustrate that municipalities may be too small to manage certain policy areas separately⁷⁹. This point returns the discussion back to the issue of regionalization as collectively Alentejo could have the critical mass to assume devolved powers. An alternative is to decentralise further competencies to the Associations of Municipalities which have become more important in the last ten years as a result of the failed referendum on regionalization. There is a strong argument that local authorities are too small to successfully provide all services and they would be more efficient if grouped together, for example in the area of waste management referred to in the case of VALNOR (see Chapter Four).

One area where a larger territorial unit is needed is external relations, where Alentejo and the other regions are very poorly represented. This compromises the ability of localities to argue for their interests in national and even international arenas. For example, a quick survey of the European District in Brussels shows that the Portuguese regions are the least represented of all European Countries, with only one region (Greater Lisbon) having a permanent office there⁸⁰.

An example from Alentejo shows that a lack of autonomy from the central government impeded the region from gaining vital investment for many years. It relates to negotiations with the Spanish Autonomous Community of Extremadura about the construction of a new bridge across the River Guadiana in between the towns of Élvás (Portugal) and Olivenza (Spain), to replace the old bridge that was destroyed during one of the many conflicts between the two countries. The political problems stem from an historic conflict over the town of Olivenza and its surrounding area. Although part of

⁷⁹ A UK example would be education, which in England is organised at county council level rather than local council level, in the form of Local Education Authorities.

⁸⁰ Marks et al (1996) find that regional authorities establish offices in Brussels if they have the autonomy to act not because they have more resources.

Spain since 1801, it had hitherto been Portuguese⁸¹ and although a majority of those living in Olivenza are Spanish, there is large irredentist movement campaigning for its return to Portugal. The government in Lisbon remains diplomatic in public, but for example still funds Portuguese classes in the town. European integration is supposed to make border issues less problematic since people can move freely between countries and nationality is in theory less important. In this new spirit of cooperation, the Autonomous Community of Extramadura and Alentejo's CCDR intended jointly to build a new bridge between the two towns, helping residents to avoid the 30 mile detour to cross the river at Badajos. The project was supported wholeheartedly by the elected mayors of Élvás and Olivenza. However, after a concerted campaign by the irredentist *Grupo dos Amigos de Olivenza*, the Portuguese government was persuaded to block the project. Although the government used a veiled excuse, the group had impressed on it that approval of the project would represent the acknowledgement of the disputed border. Only after the EU stepped in several years later and funded the project entirely was the bridge built and the residents of Élvás and Olivenza could freely travel between the two towns. It might be assumed that if Alentejo had had a similar autonomous status as Extramadura the needs of the citizens of Élvás would have been met much earlier.

6.4. The constructive role of local and regional democracy

The third reason why Sen considers democratic participation as a vital part of the CA to development is that people should be part of the process. "True development" writes Corbridge (2002, 191) in commenting on Sen's work, "necessarily involves the active participation of informed human beings in the processes of social change". The constructive role of democracy through debate, discussion, critique and dissent makes people aware of development challenges and of difficult decisions about priorities. For example, this could allow societies to preserve aspects of their cultural or environmental heritage in the face of economic and social change. Furthermore, comprehension of development challenges can lead to more active involvement in civic associations and pressure groups, a process that creates a type of social capital. Finally, it may inspire local leaders to champion local causes, a factor which has been identified as very

⁸¹ This is obvious when visiting the town with its Portuguese style Baroque architecture and the sound of Portuguese still being spoken in the streets.

influential in the literature on local and regional development (Morgan, 1997, Pihkala et al., 2007).

This constructive role of democracy could be seen on the local level in Alvito during the mayoral election campaign. The PSD candidate had run what was considered by many as a populist campaign appealing to many different groups in the municipality. For example he proposed the idea of running events to celebrate the locality's religious heritage that appealed to the elderly, the construction of a bullfighting ring that appealed to the youth and the provision of new crèche facilities that appealed to women. During the debate on Radio Pax it became evident that his plans were not realistic and this view was held by parishioners outside the church in Vila Nova de Baronia as well as by the current mayor (but who was publicly impartial during the campaign). Participation through debate helped to allow voters to understand what the candidates were proposing and to make a judgement about whether their ideas were realistic.

At a regional level the weak institutional structure prevents any constructive role that democracy would bring. According to a Professor at Évora University,

“the main obstacle to the development of Alentejo is that it lacks a regional strategy....so far nobody has come forward to lead the region in a certain direction; no politician, no businessman, nobody from the university” (Prof. Neto, Évora, 18th January 2010).

Regional strategies need to be accountable and have strong leadership which are both lacking in Alentejo. As illustrated in the negotiations over the regional spatial development plan (PROT), consultation occurred but the views of stakeholders were not taken into account. As a result, consultations receive little interest and participation. Similarly, there is no incentive for leaders as they do not have a political mandate to implement their plans. This often results in talented politicians and civil servants from pursuing a career in central government. As one Portuguese commentator writes “The territorial ‘lifeblood’ is drained away, as a consequence of the departure of elites that would have been well placed to assume regional leadership” (Francisco, 2007, 18).

6.5. Conclusion

This chapter has attempted to analyse the different roles of democracy as put forward by Sen in a local and regional context. It has showed that there is a clear intrinsic value of

democracy to citizens at municipal level because despite a lack of competencies and resources participation rates are among the highest in Portugal. It shows that the local level is increasingly considered more relevant to daily life. However, the centralised structure of the Portuguese state and in particular the lack of autonomy at a scale larger than the municipality denies people in Alentejo the freedom to decide on priorities, reducing democracy's instrumental role. Finally, the absence of democracy at the regional level prevents the people of Alentejo to understand and help frame their own future, a constructive role which is unfortunately missing. The multi-faceted nature of democracy means that this capability is linked closely to other economic and social capabilities that are analysed in the thesis. If there are instrumental advantages for greater local and regional democracy then their intrinsic value can be capitalised upon to improve governance. Thus, whereas all capabilities are linked in complex ways, it seems that political freedoms in their intrinsic, instrumental and constructive roles could be the most important factor in increasing the capabilities of a region overall.

CHAPTER SEVEN:

SOCIAL OPPORTUNITIES, PROTECTIVE SECURITY AND QUALITY OF THE ENVIRONMENT

7.1 Introduction

This final analytical chapter focuses largely on the third instrumental freedom proposed by Sen, which he describes as ‘social opportunities’. These opportunities can refer to the provision of services such as health and education but also to less tangible social features including networks and community life. In addition, two other related capabilities are analysed, namely protective security and quality of the environment. Protective security is the fifth and final instrumental freedom listed in Table 3.1, referring mainly to safety nets that protect the most vulnerable in society. As many of these safety nets are provided by central government in the form of social security income transfers, they are less important in looking at the geographical distribution of local and regional capabilities. However, data from the field does show differences in informal support networks as well as work by NGOs and voluntary groups. The impact of the natural environment is mentioned but given less attention by Sen and yet there are significant reasons for including it in the chapter. The environment is a common theme in geography since its interaction with humans is often a defining feature of places, but this is not widely recognised outside the discipline, even by less orthodox economists such as Sen. Furthermore, the sustainability of natural resources has become a central issue in economic development strategies in recent years, even since the first publication of *Development As Freedom* in 1999.

There are several reasons why the capabilities analysed in this chapter are the most complex and difficult to measure. First, linked to the overall analytical framework adopted from the CA, social opportunities, protective security and the quality of the environment are arguably the most intrinsically important of all capabilities while at the same time they have clear instrumental value. This is highlighted for example by Sen’s continued reference to the value of education. He is at pains to emphasise that education is important for human development in itself, in addition to the useful skills and qualifications that can be gained. Secondly and as a consequence of their recognised high intrinsic importance, many of these capabilities are subjective as well as objective,

which has been one of the main complications in measuring so called ‘quality of life’ (Nussbaum and Sen, 1993, Stiglitz et al., 2010). For example, living in a rural area may be considered by some to be intrinsically important because of close community ties or access to the natural environment but for others it less desirable because there is a narrower range of social and cultural opportunities. Lastly, while all capabilities interact to shape the aggregate capabilities of individuals and places, Sen notes that social opportunities are the most complex in this regard. Reflecting discussions over the value of social capital, social opportunities are considered as the lubricant which allows people to take advantage of other capabilities such as economic facilities and political freedoms. In the following analysis of social opportunities in Alentejo, these dynamic processes and interactions will be considered in determining the type of society that will increase local and regional capabilities collectively.

The chapter is divided into three parts. The first part is an analysis of social opportunities in Alentejo which include its demographic composition and trends, access to education and the provision of cultural amenities. The social features of a region that enhance or inhibit capabilities vary in importance depending on the geographical context. The features covered here are based on my assessment of the Alentejo context as well as the limitations of the thesis outlined in the methodology chapter (for example, while it may be true that the quality of healthcare varies geographically, not much data was collected on this question). Secondly, the issue of geographical variations in protective security are examined including a focus on the village of Safara located in the municipality of Moura. Here the basic state safety nets have been enhanced through community action and the reasons behind its success are examined. The final part looks at how environmental issues are simultaneously an advantage and a threat to capabilities in Alentejo, a region rich in natural resources but which need to be managed carefully to ensure its sustainable development.

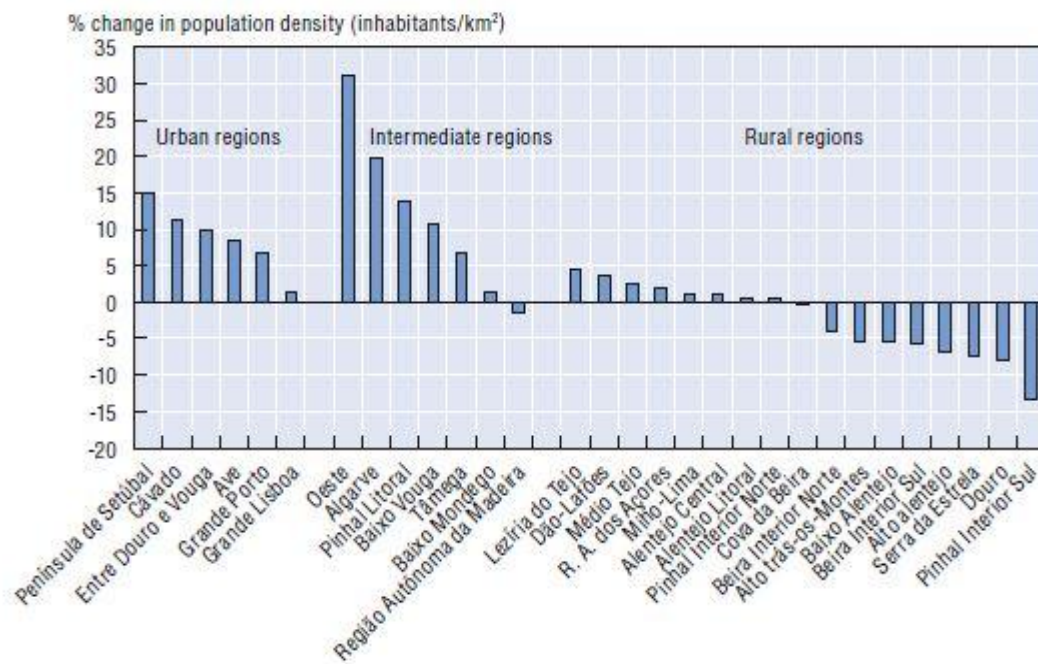
7.2 Social Opportunities

7.2.1 Demographic decline

According to one economist, “the background problem to development in Alentejo is population decline; this affects everything else, including economic growth and the region’s social and cultural vitality” (Paulo Neto, Évora, 10th January 2010). Others

agree, describing how Alentejo has been most successful when populated and arguing that the region's revival depends on it being "occupied" (Gaspar, 1993). Linked to the problem of population decline is the parallel trend of ageing since young people have been continuously leaving the region in search of employment and social opportunities. This was caused initially by the economic policies of the Estado Novo. More recently depopulation and the exodus of young people is a problem that has affected many rural areas in Europe, including those in Portugal.

Figure 7.1 Change in population density in Portuguese regions from 1995 to 2006

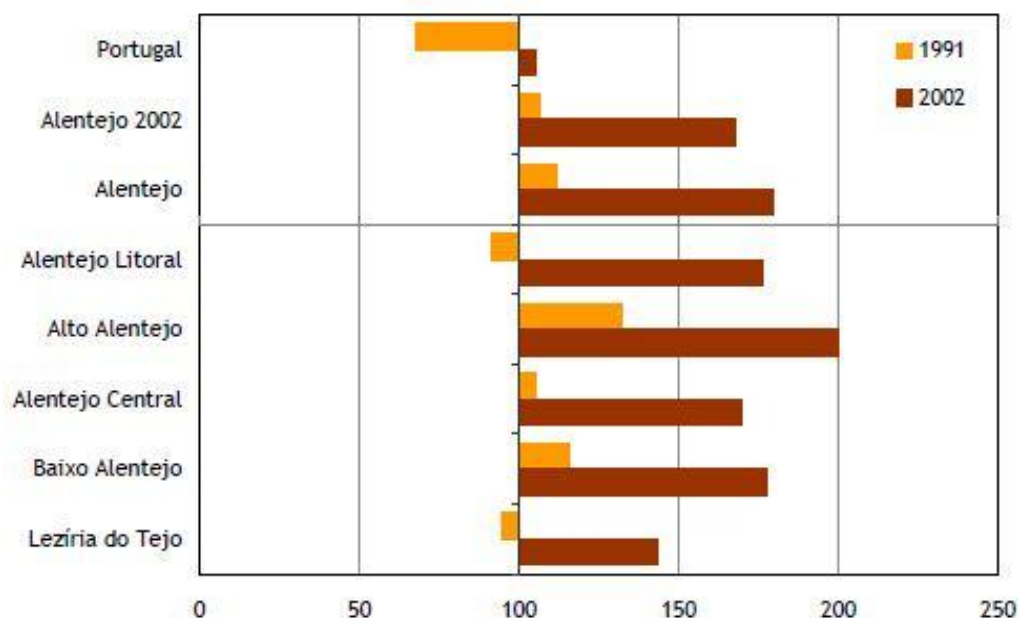


Source: INE, Estimates of Resident Population; Portuguese Geographic Institute, adopted from OECD (2008)

According to Figure 7.1, Northern and Southern Alentejo are among the regions in Portugal which have seen large declines in population since 1995. At the same time, Alentejo also has the highest levels of ageing in Portugal, especially in Upper Alentejo, as illustrated in Figure 7.2. However, Central Alentejo and the Littoral have not been affected to the same extent by population decline, actually recording a slight increase which follows the theme introduced in Chapter Three about the heterogeneity of Alentejo. The sub regions where population levels have remained steady are those in closer proximity to the capital and the sea, benefiting from better accessibility or a more temperate climate. Moreover there are other reasons, including the fact that Central

Alentejo includes the regional capital of Évora and is located on the A6 Lisbon - Madrid motorway or the presence of a larger employer on the Littoral, namely the oil refinery at Sines as well as its associated industries.

Figure 7.2: Ageing Index by NUTS III regions (2001)



Source: INE, adopted from Observatório do QREN (2008)

It is reasonable to argue that the vast majority of people who live in Alentejo would prefer to see its population increase. There may be a minority who subjectively favour living in a sparsely populated region or who fear societal changes as a result of immigration, but very many people in the region complain that Alentejo’s decreasing population is detrimental to the quality of life there. In other words, they see a healthy population size as intrinsically important, even though they may also see the benefits in terms of human and political capital. A development worker in Alentejo argued that the situation for Alentejo is different to other places where the emphasis is on conservation, commenting that “there will soon be nothing to protect! Population brings vibrancy and activity and this has more than economic value” (David Marques, Messajana, 8th January 2009). This basic though subjective capability is explained by Evans (Evans, 2002, 56) who writes “Some of the greatest intrinsic satisfactions in life arguably come from social interaction with others who share our interests and values – friends, families, communities, and other groups”. It can be described as the *output* value of social capital which has been ignored in the literature on the concept. Capital is usually

regarded as an input into the development process in order to achieve certain ends but when considered as an output social capital can be considered as an intrinsic capability in the same way as Sen treats the issue of human capital (Sen, 1997).

A number of observations in Alentejo show that many people give a high value to social connections, notably the freedom to live close to family, which is a traditional characteristic of culture in Southern European societies⁸². Firstly, two employees were interviewed at VALNOR, the waste management plant referred to in Chapter Five. As graduates of universities in Portalegra and Évora they value the opportunity to live in the region where they were brought up and in proximity to their parents and siblings. Yet they were also ambitious to pursue careers that enable them to use the skills gained at university, in this case those of chemical engineering and human resources. If it was not for the VALNOR plant they may have had to leave the region to find similar employment opportunities. Similarly, the director of the UCASUL olive processing factory near Alvito received a degree from a British university but after a brief spell at the Auto Europe industrial centre on the Setubal peninsular he became very interested in returning to Alentejo where he was able to find a good engineering job. In his case, family connections helped him to secure the job but other young people who would like to remain or return to Alentejo are less fortunate. Finally, the popularity of the *Escola Profissional de Alvito* (vocational college in Alvito) is because many people from around Alentejo want to gain skills that will give them a chance of finding work in the region. Its director commented that the curriculum of the college was designed in cooperation with regional businesses and families who requested certain courses. He said that “for many families the main priority is to find possibilities for their children to have a stable job close by” (Antonio Coelho, Évora, 29th September 2009).

Others however are more sceptical about the attraction of Alentejo, especially for young people. An adviser to Carlos Zorrinho, Minister for Economy and Innovation and also a Professor at Évora University commented that, “There are hardly any students for Prof. Zorrinho to teach, his classrooms are empty! The problem is that we cannot lie to young people and say they will have a better quality of life in places like Évora and Viseu, because they won’t; we just hope that some will stay” (Manuel Laranja, Lisbon, 11th

⁸² Based on data from the World Values Survey, Richard Layard (2005) reports that family relationships affect happiness more than anything else, and their absence or poor quality is the main factor to diminish it.

January 2010). The reason why the government hopes that not all young people will abandon the region is down to the clear instrumental value for maintaining Alentejo's population. Economic development relies on human capital and young people provide the basis for future economic activity. While the government may not be committed to the repopulation of Alentejo for intrinsic reasons, it certainly sees a need for people to work in large state sponsored development projects such as the Alqueva dam. In fact, because of a shortage of labour the company that runs Alqueva had to contract a construction company that used workers from Portugal's former overseas colonies. There is also a growing need for workers to help establish Alentejo as a tourist destination, because as one of the industry's representatives said "the types of tourists we are trying to attract do not want to be waited upon by people from the other side of the world, they want to meet the traditional Alentenjanos" (Antonio Lacerda, Évora 23rd September 2009).

There is also another instrumental reason to maintain the population that worries the government, which relates to old age care. Traditionally the younger generation look after their parents in Portugal and yet they are increasingly absent, leaving a greater burden on the state. The "greying" of Alentejo is more pronounced than in many other European regions, which is why a German company that provides medical services to the elderly recently undertook market research there. They found a growing demand for old age pensioners' care homes but the state cannot afford to build more and privately run homes are too expensive for most.

On the one hand many people feel that the primary obstacle to increasing Alentejo's population and retaining youth is the lack of jobs. The promotion of economic facilities (analysed in Chapter Four) are thus needed not only to increase economic activity and create more wealth within the region, but also to widen social opportunities. It is natural that with a low population, participation in social and cultural activities will be too small to sustain many of them. Yet these activities and the social networks which they feed are needed to retain young people. This is shown for example by the employees that were interviewed at VALNOR who choose to spend every weekend in the towns of Évora and Elvas while maintaining rented accommodation near the plant. This is because most of their social activities take place in those towns which they describe as 'home'. This shows that for most young people a job and a stimulating social life are both regarded as important to their quality of life.

The objective of job creation as a means to stimulate society and retain youth is a common and obvious territorial development strategy. However there is also a possibility for reverse causation to occur if a small ‘creative class’ (Florida, 2002) can stimulate further immigration based on a renewed sense of local identity, where people want to ‘buy into a lifestyle’. On the opposite extreme, there are villages and towns in Alentejo that are becoming locked into a negative trajectory where there are no jobs and consequently few social opportunities, leading to a downward spiral of emigration and an ageing and dwindling population. Thus, there is a complex interaction between economic facilities and social opportunities that need to be treated together in order to repopulate Alentejo.

The Portuguese government is concentrating on strategies of endogenous development to increase the population, based on increasing the competitiveness and skills in the region, mainly through the Operational Programmes of the EU’s Structural Funds. However, several people in Alentejo argue for strategies that attract new people in order to stimulate the economy as well as improve the image of the region as a more cosmopolitan place to live. In other words, the strategy is to move the people who will create the economic activity, rather than concentrating only on the reverse. This is summed up by a local development practitioner from Arraiolos:

“The biggest problem is the lack of people, the lack of youth, of qualified youth. The region has got valuable natural resources and significant infrastructures, but there is no active population. The improved quality of life and the marketing of Alentejo has not solved the general problem: no one that leaves Alentejo returns to the region. Therefore even if we improve on infra structures such as health and education, the problem continues: Alentejo is marketed as a place to visit rather than a place to live. It is a long standing problem in a very conservative society”. (Marta Alter, Arraiolos, 17th September 2009)

Others contrasted Alentejo with Lisbon and other major urban areas by arguing that these centres are where the social and political opportunities exist:

“The pull of Lisbon is too strong, that is the problem, it is where parents want their children to meet other children from the same background. Living in Lisbon is a sign of success, whereas living in one of the provincial towns is considered a failure”. (Frederico Lucas, Lisbon, 22nd September 2009)

And...

“For young people, life in rural areas such as Alentejo is not seen as socially relevant. The challenge is to make it attractive to stay or move to the region. To a certain extent the problem is the consumption culture that pushes a city agenda, even though the quality of life in many of the suburbs is very poor” (David Marques, Messajana, 5th January 2009).

The demographic structure of Alentejo shows that it is lacking what has been termed “linking social capital” in the literature. The lack of societal diversity prevents people from pursuing certain economic, social and political objectives and pushes them out of the region to bigger and more cosmopolitan cities. Yet a people centred approach to development of sparsely populated regions has not been considered by the central government, which is shown by discussions about the use of fiscal policy for regional development. Unlike in parts of Europe such as Scandinavia, the Portuguese government will not consider offering relief on income tax for those living in its peripheral regions, since as one of its representatives said, “It is economic activity that we want to move, not people” (Manuel Laranja, Lisbon, 11th January 2010).

A further problem relates to Alentejo’s weak regional governance, which is another example of the interaction between capabilities. The only institution responsible for coordinating youth policies at a territorial level is the CCDR. Youth policy is the competence of different ministries including those responsible for education and culture but their efforts are not coordinated to form an integrated strategy.

The need for ‘new blood’ in the peripheral regions has however been noted by an innovative project called *Novos Povodores* (‘New Settlers’). Started by a group of entrepreneurs who had themselves moved to the interior of Portugal, the project promotes the repopulation of the Portuguese countryside through the use of new technologies. It began as just an idea talked about in blogs and internet chat rooms but the group realised that there was a market for advising professional people about how to move from the country’s large cities to the interior, while at the same time promoting the lifestyle benefits of living there in the national media. Now they have formed a company and are paid by local councils if a family moves and remains in the locality for more than twelve months. One of the company’s selling points is that their fee is less than the local taxes that the new family would pay within the first three years of living there. Moreover, councils hope that their municipalities will become reinvigorated by the influx of outsiders who bring their own jobs with them. They are mostly freelancers

and entrepreneurs who can work at a distance and through the internet. The local councils also provide services to these ‘new settlers’ such as low cost office space and business facilities including high speed broadband. Started in 2008, within a year the company had moved more than fifty families to towns in the interior and one of the founders says that demand remains high:

“Many families are increasingly realising that life in the provinces can be much more affordable, less stressful and safer than in the city. Once there are a certain number of new settlers in a place this creates a critical mass that attracts more outsiders as they can meet people with similar backgrounds”. (Frederico Lucas, Lisbon, 22nd September 2009)

The demographic issue is closely linked to other aspects of social capabilities, namely education and culture and these are now addressed.

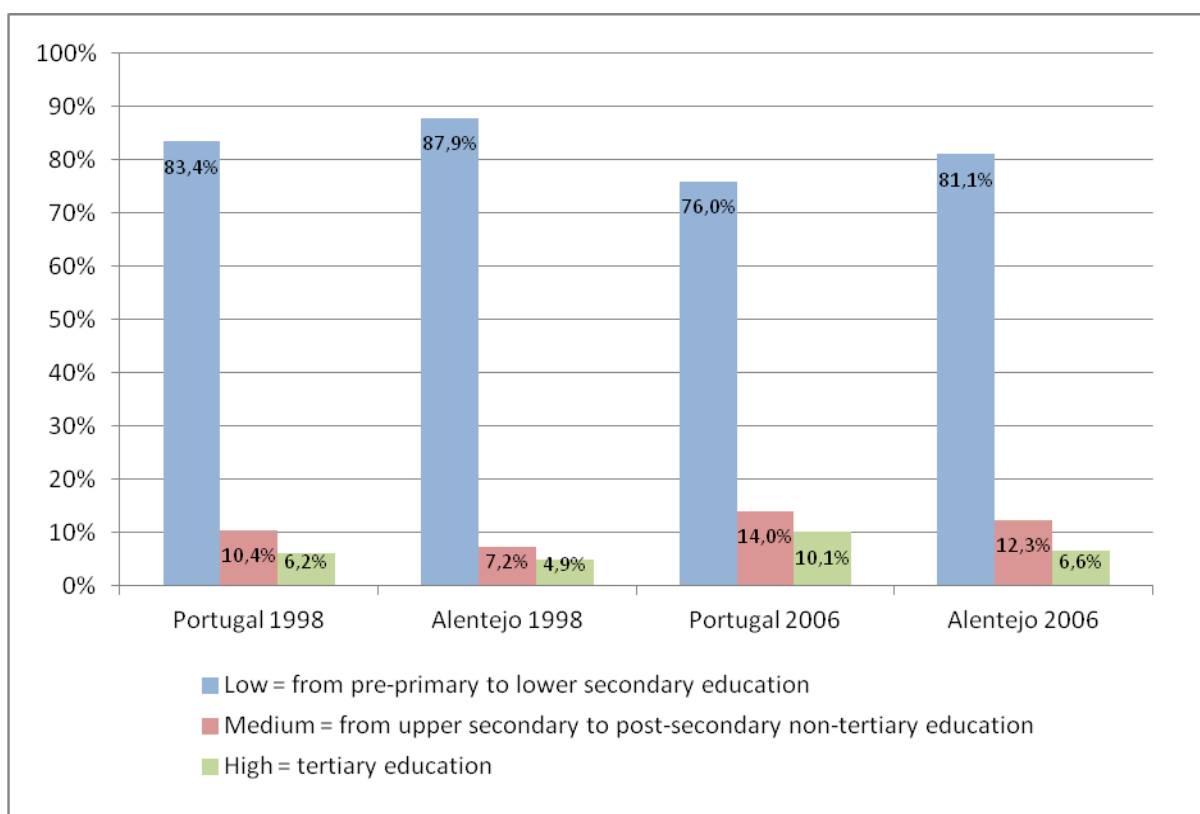
7.2.2 Education

The twin trends of depopulation and ageing have also had a negative impact on the social opportunity of education in Alentejo, affecting both the individual and the region collectively. Firstly, the exodus of young people has reduced the demand for educational services including schools, colleges, polytechnics and universities. This has led to closures of these institutions or their economic inefficiency at the cost of the taxpayer. For those young people who remain in the region this reduces their educational opportunities, depriving them of both intrinsic and instrumental capabilities. It is intrinsic for a number of reasons, including the potential impact on the quality and breadth of education, fewer opportunities for friendship and social networking as well as the increased commuting distance for children and parents. The lack of a good university ‘experience’ was for example the main motivation for Carlos Martins (Managing Director of the UCASUL olive processing plant) to study abroad in the UK. The decision to build a secondary school in Alvito is a considered an important step forward for the municipality because it dramatically reduces commuting time to Cuba.

The instrumental consequences of low educational attainment are manifold and that is one of the reasons why Portugal has given the issue so much emphasis in the NSRF as explained in Chapter Four. Low levels of qualifications and a lack of skills are considered as the principal restriction on the Portuguese economy. Chapter Four showed that the country performs among the worst in Europe in terms of educational

attainment, and Alentejo is the lowest ranking region in Portugal. Figure 7.3 shows that while the level of education is increasing in Alentejo, it is doing so at a considerably slower pace than the Portuguese average: In 1998 the difference between the percentages of people educated to a high level was 1.3%, but this had grown to 3.5% by 2006.

Figure 7.3 Educational attainments in Portugal and Alentejo, 1998 and 2006



Source: INE Labour Force Survey, data adopted from OECD

In addition to employment, one of the main reasons why young people move to the metropolitan areas (principally Lisbon and Oporto) is to access higher education services and most stay in those cities at the end of their studies. This is leading to a shortage of qualified professionals entering the regional labour market at a time when its economy has become more dependent on services. As with population patterns, the labour market picture is also heterogeneous because skilled professionals are concentrated in Évora and to a lesser extent in Beja and Portalegra. These are the locations of the main higher education institutions, with the region's only university in Évora and polytechnics in the other two regional centres. Évora University has been

successful in improving its status and attracting students from outside the region, but unfortunately few stay after graduation.

More positively, the success of Évora University has certainly increased the intrinsic and instrumental capabilities of the city, illustrating the important role universities can have in local and regional development. First established in the Sixteenth Century, it was reinstated as a public university in 1973 after a difficult period with few resources during the *Estado Novo*. Since then it has improved its position in the rankings of Portuguese universities and has also gained international recognition, with an increasing number of ERASMUS students as well as from the PALOP countries⁸³. Located in the historic centre of Évora, the university's architecture as well as seven thousand students and five hundred staff add to the cultural vitality of the city. Compared to the metropolitan centres of Lisbon and Oporto where a large proportion of the country's universities are located, Évora has become known (again) as a university town which is considered a positive aspect of its geographical identity. The instrumental value of the university is tangible, since it contributes greatly to the local and regional economy. It employs about 1000 people which represent roughly 10% of the city's workforce⁸⁴. Furthermore, it has been calculated that the University is equivalent to 1.5% of the GDP of Alentejo as a whole (Rego, 2006). A recent initiative by the University and the CCDR has helped the regional economy in an indirect way, inspired by examples of successful interaction between other universities and their host cities. "EvoraPark" is a technology and enterprise park that secured funding from the ERDF and aims to foster collaborative R&D activities between the university and private companies in target sectors such as aeronautics.

In addition to the tertiary sector, Alentejo's skills base needs to be upgraded in a number of vocational areas where there is demand from the private sector. The example of the *Escola Profissional de Alvito*, a vocational training college shows how these skills can be provided through regional cooperation. The School was founded in the early 1990s as an initiative of the Local Council and an Education Cooperative. It is a private institution owned jointly by public and private organisations whose aim is to increase the skills pool in the local economy by offering students targeted vocational

⁸³ PALOP countries are former Portuguese colonies

⁸⁴ This is calculated by the fact the city's population is 41,159 (Census 2001) and the average participation rate in Alentejo is 49% (INE from QREN 2008)

courses. At first it was seen as a second best option to university, but the school has become successful in attracting students who would like to gain a vocational qualification and enter the labour market early (students between the ages of 15 and 18). It is designed to give students time to decide on their final course of training though a three month trial period, which also allows those who would like to follow a more academic route to leave and apply to a university at a later date in another school. The courses were created and designed in cooperation with local businesses which provides students with much improved job prospects. Thus, currently 60% of the students are training to work in the catering and hospitality sector, helping to fill a demand for the region's growing tourist industry. The *Ecola Profissional de Alvito* is considered by the Regional Ministry of Education as a successful example of skills matching. In addition, the School has recently launched a programme to encourage entrepreneurialism and increase the number of graduates who start their own businesses. Finally, it has had a positive impact on the local economy and society in a similar (though smaller) way to Évora and its university. However, the sustainability of the School is not certain since it currently survives through subsidies from the European Social Fund (Operational Programme for Human Potential). It is one of many examples of social infrastructure that could be threatened by the predicted reduction of EU structural funds in the coming years. The School's Director hopes that the Portuguese government will provide more security to the school and other similar institutions by enlarging the state's network of public schools and colleges.

The examples of Évora University and the *Escola Profissional de Alvito* show the importance of a broad range of educational opportunities in order to increase the capabilities of a region. On the one hand, the continued improvement of Évora University's status will bring the highest quality of education to the region. On the other hand this only affects one city and its surrounding area and the university has 41.9% of the students in higher education in Alentejo (Rego, 2006), the other 58.1% being shared between the polytechnics of Beja and Portalegra. Provision to acquire vocational skills and technical knowledge (e.g. for the agricultural sector) are also very important for the regional economy and have intrinsic value for those who do not wish or are unable to study at a university.

7.2.3 Culture and society

Close community ties and a common identity are strong characteristics of Alentejo, capabilities which are not easily captured in accounts of regional development. As noted in Chapter Four, the economic history of Alentejo saw the emergence of a large rural proletariat that laid the seeds for social and political mobilisation. It was and still is the region where the Communist Party enjoys strongest support, a party that emphasises community development more than the *Bloco Esquerda* (far left) which is prominent in urban working class areas. In the words of one Mayor in Alentejo, the Communist Party is “a way of life and a system of social support in addition to a political movement” (João Penetra, Alvito, 19th September 2009). There are number of advantages that come from this type of bonding social capital, including its contribution to social protection as discussed in the next section of the chapter and political participation which was shown in the previous chapter. It is also of high intrinsic value for those who are active in the community.

However, there is much evidence to suggest that the particular mix of social capital in Alentejo does not enhance the aggregate collective capabilities of the region. Firstly, community ties can be exclusive and a barrier to social cohesion. The identity of Alentejo is partly based on its history of class struggle which has entrenched prejudices. This was shown in the town of Serpa where certain individuals and families are derogatorily labelled as ‘Monarchists’ or ‘Marxists’. These conflicts reduce the intrinsic value of society in the region. Secondly, the excess of bonding social capital risks the consequences of amoral familism because communities are not willing or unable to cooperate with people outside their immediate groups. This is based partly on the region’s history of class conflict which has caused high levels of mistrust and reduced the amount of bridging social capital. However it is also because Alentejo’s declining population and low levels of immigration has reduced the possibilities for linking social capital with new and external groups. From an instrumental point of view, it is these two types of social capital which have the most benefit for other capabilities such as economic development, as was shown in Chapters Five and Six where a lack of cooperation has disrupted collective action (e.g. Rotas de Frescos and the irrigation project in Serpa).

Local identity and culture can have a strong positive effect if they are accompanied by an open society willing to accept change, as shown in economically and

demographically successful regions such as Catalonia (Keating et al., 2003). One impetus behind creating a more open society that is attractive to outsiders is through a lively cultural scene. Several examples of positive initiatives were found in Alentejo that could be the basis for attracting people to the region and increasing the quality of life. Alone they are too small in scale, but together they can help market Alentejo as a cultural region, not only as a place to visit but also a place to live. However, the problem with many of these cultural initiatives is that they are not coordinated and are contingent on processes that are difficult to replicate.

Firstly, a large initiative has been recently launched by the Association of Municipalities of Alentejo Littoral to promote the region's culture and quality of life, both as a tourist destination and as a place to live. Named *Reinventar e Descobrir, Da Natureza à Cultura* ("Reinvent and discover, from Nature to Culture"), it is one of seven initiatives in Alentejo to be funded under the PROVERE programme ("Programmes for the Economic Enhancement of Endogenous Resources"). The projects which it currently funds vary from ecomuseums and beach theatres to a floral festival and gastronomic fairs. Many other similar types of activities have been funded by the LEADER programme in Alentejo, promoted on the ground by several Local Action Groups to 'add value' to the environmental and cultural resources of a territory. The results of these programmes are mixed with some very successful projects and others which have little real impact (Ideia Alentejo, 2008)⁸⁵. Moreover, they rely to a very large extent on public (mostly EU) funds and the main problem is often related to their sustainability after the funding comes to an end.

Another project that is having a significant impact on the cultural life of one part of Alentejo is the conversion of an old convent at Montemor into a theatre. In fact, the restoration is just one (still far from completed) part of this project called *Espaço do Tempo*⁸⁶. The company currently uses another small theatre in the town and has been successful in attracting artists from around the world as well as supporting local ones. Its success is very much down to the leadership of its founder, an internationally known choreographer originally from Lisbon. Rui Horta arrived in the town with "a trailer and three children" but has since built a company that employs nine people. In 2009 seven

⁸⁵ In fact, the overall impact of programmes such as LEADER can be difficult to measure since they are designed to increase the capacity for development in general, not just to fund individual projects.

⁸⁶ See website at: www.oespacodotempo.pt/en/

hundred artists visited the convent and there were thirty six artistic ‘residences’ where the company provides food, accommodation and technical support to artists that wish to record new work. The company also has community development aims; it tries to employ locally and has run several programmes for school children funded by the Ministry of Education. Despite the need to attract funding and become commercially successful, *Espaco do Tempo* does not compromise on artistic experimentation. In this way it follows a tradition of cultural activity in the town of Montemor, since the town has hosted well know cultural societies in the past. The Mayor was keen to build on this tradition and is one reason why Rui Horta decided to set up the company in Montemor. It has given the town a renewed cultural vitality which is now well known across Portugal. Rui Horta has met several young professionals who have moved to Montemor in recent years because they perceived the town to offer a better quality of life than in Lisbon, and he argues that the town’s cultural place branding is a big part of that. This is because he believes that “there are three key factors which make people happy, apart from genetic disposition: Work, Love and Culture” (Rui Horta, Montemor, 14th January 2010).

The intrinsic value of cultural projects like *Espaço do Tempo* is high and therefore adds to the capabilities of the region by improving its quality of life. However, it is important to recognise that there is an element of subjectivity. Rui Horta’s clear passion for theatre biases his opinion, which he himself would admit. For others this type of culture is not as subjectively interesting. They may prefer other activities in their spare time or indeed more traditional forms of culture such as *Canto Alentejano* (the traditional and popular local singing). Yet the instrumental value is less ambiguous. The project has attracted many new people to the town, helping to reverse the problem of demographic decline. It has also created employment and helped the local economy. Once the convent has been restored it will be the second largest employer in Montemor after the town hall. Moreover, these jobs will be multiplied in an indirect sense through spin off activities. In this way its instrumental value interacts with other capabilities to increase the overall capabilities of the area. Some people may not fully appreciate the cultural activities of *Espaço do Tempo* but the economic and demographic development it brings may increase their quality of life nonetheless.

The intrinsic values of the cultural industry in terms of quality of life and local identity as well as its instrumental role in regional development are therefore clear. However,

there are many obstacles in creating cultural industries in low populated regions like Alentejo. In order to become self-sufficient from unpredictable public grants projects like *Espaço do Tempo* need to attract a wide audience. Montemor has two natural advantages in this respect which are its cultural traditions and its proximity to Lisbon (less than an hour by car). Other places in Alentejo do not enjoy these advantages and that is why there are several theatres that have been funded through regional development programmes but which lie empty. It seems that the dependent variable is the motivation of individuals such as Rui Horta to make a project work, taking advantage of his experience and contacts together with financial help from the state.

7.3 Protective Security

The enhancement of social opportunities such as cultural life is undoubtedly important for a region. However, for some their importance fades in comparison to commanding more basic capabilities since without them their lives can become miserable. The fifth and final of Sen's instrumental capabilities refers to social protection which is described as a 'safety net' that needs to exist because "no matter how well an economic system operates, some people can be typically on the verge of vulnerability and can actually succumb to great deprivation as a result of material changes that adversely affect their lives" (Sen 2001, 40). It may be thought that the regular deprivation of basic capabilities to people in the developing world such as access to nutrition does not occur in Western economies. Yet as Sen insists, they can be deprived no matter how well an economic system operates. In many European countries there is evidence that many households are unable to heat their homes (known as fuel poverty⁸⁷) or buy nutritionally balanced foods for their children. Even worse, there have been horrific stories of vulnerable people being abused, especially children, having been let down by the social services designed to prevent this. Further, in an advanced welfare state the goal of social protection should not be confined to ensuring people do not starve or become homeless unnecessarily; we can enlarge the notion of social protection to include efforts to prevent social exclusion or unemployment since they can impact on the physical and mental health of those affected. Despite the lack of data due to the limitations of the research project this part of the chapter attempts to document the existence of poverty

⁸⁷ Fuel poverty was first used in the UK to describe households that need to spend more than 10% of their income to ensure adequate warmth.

and inequality from a capabilities perspective and analyse the formal and informal responses that are put in place to protect vulnerable groups in the region.

7.3.1 Poverty and inequality from a regional perspective

Poverty is conventionally measured by lowness of income and yet despite its importance in achieving basic capabilities it still only has an instrumental role and therefore does not measure what Sen calls ‘real poverty’. This is because there are influences on capability deprivation other than lowness of income and its instrumental role can also vary between different communities, families and individuals. In the conventional measurement of poverty, Portugal is unequal between and within regions, with Alentejo the most affected:

“The incidence of poverty has a strong regional asymmetry. Poverty is particularly prevalent in the South (Alentejo), where very high percentages of families living in extreme poverty are recorded. Some rural municipalities inside these regions presented a poverty rate of almost 40%” (Santana, 2002, 36-37)

However, following the CA qualification is needed to show the true picture of ‘real poverty’ in Alentejo, since Santana refers to poverty measured by income. In some cases the situation may be better than the figures suggest because those on a low income can be helped in other ways to provide basic capabilities. For example, in Alentejo it is common for people to eat food that has been produced themselves or exchanged with neighbours. Moreover, family support has traditionally been strong in Alentejo and has also acted as the most important informal safety net, though this is changing as discussed below. In other cases the situation could be worse since vulnerable groups need more income to convert it into functionings. In Alentejo this a particular issue for the elderly, a growing segment of its population. Two important factors that are driving basic capability deprivation among the elderly is loss of income after retirement together with a gradual reduction in informal support from younger members of the family due to demographic decline. Albuquerque et al (2006) found that pensioners in Alentejo are at the most risk of suffering income poverty, which is attributed to the fact that a large proportion work in low-paid and informal agricultural jobs and cannot access state pensions. At the same time, many of their children have left the region to seek opportunities in urban areas and thus they are deprived of the help which previous generations relied on. Within the region there are strong inequalities between the

elderly. Those who live in the most remote areas are more likely to be poor in both income and real terms. In the main centres there are a large proportion of former civil servants who receive good pensions and the process of depopulation is slower.

7.3.2 Social protection mechanisms in Portugal and Alentejo

A general typology of social protection mechanisms is presented in Table 7.1 together with the scale at which it is provided. It shows that although social protection in terms of the welfare state is the responsibility of central government, the difference in assistance may vary regionally and locally because of the role played by the decentralised ministries in implementing specific programmes as well as the initiatives of community organisations. Finally, as has been noted, informal support especially within the family has been a traditional form of social protection in Southern Europe.

Social protection was not a priority during the dictatorship and therefore the welfare state was only formally introduced after the revolution in 1974⁸⁸ (Birmingham, 2003). Even then, financial and institutional restraints made it difficult for the state to provide adequate support to the poor and vulnerable (Matsaganis et al., 2003). Thus, on the eve of accession in 1985, Portugal had the highest level of poverty measured by income in the whole of the EU (Santana, 2002). This reduced after membership and by 2000 the country was spending close to the European average on social security (Matsaganis et al., 2003). In the late 1990s a package of welfare reforms were introduced including contributory schemes and payments to those that do not qualify. The main benefits are shown in Table 7.2 and compared to other countries in Southern Europe. The most important reform was the introduction of a minimum income guarantee (*Rendimento Mínimo Garantido*), following other countries who had recently tested and implemented them. However, as can be seen the levels of payment for the main benefits are still low compared to other countries, with the exception of Greece. A minimum income guarantee of €125 suggests that those who fall outside of the contributory regimes will still find it very difficult to provide basic necessities and will have deprived lives without informal support, as described below. Furthermore, the minimum income scheme requires that recipients sign a contract setting out an ‘integration programme’ and according to a development practitioner in Alentejo the lack of social workers in

⁸⁸ There was a rudimentary system of social security introduced towards the end of the Estado Novo, but it only covered less than 50% of the population (Santana 2002).

isolated rural areas means that there are still people who slip through the net, especially vulnerable groups such as in Romany communities.

Table 7.1: Typology of social protection mechanisms in Portugal and Alentejo

Type of social protection	Characteristics	Scale	Examples
Income support	State benefits for the unemployed and those above pension age and for disadvantaged and vulnerable groups such as single mothers or the disabled.	Central	<i>Subsídio de Desemprego</i> is unemployment benefit which is dependent on previous contributions. <i>Rendimento Social de Inserção</i> ⁸⁹ is a basic payment of last resort for those who do not qualify for other benefits. <i>Abono de Família para Crianças e Jovens</i> (child benefit)
Social Services	Protection for vulnerable e.g. children, the elderly	Central / regional	Decentralised regional ministries of education, health and social security services. 'Early Intervention Programme' for children
Charities and NGOs	Non state bodies that are based on voluntary work and grants	Local	<i>Santa Casa da Misericórdia</i> (Catholic Church) <i>Casa do Povo</i> (Privately run community centres)
Informal support networks	Families, neighbours, communities	Local / household	Subsistence agriculture, child care by grandparents, overseas remittances

Source: Author

A further point about income support is that the rates are the same throughout the country and yet prices vary which contributes to an unequal geography of real income. This geography is also not always predictable. For example, a resident of Alcaçovas claimed that the local supermarket is among the most expensive in Portugal which

⁸⁹ The RSI was originally called *Rendimento Mínimo Garantido* (RMG) in common with other Southern European countries with similar schemes, but was changed in 2003 to emphasis the activation nature of the benefit, which includes the requirement of agreeing an 'integration plan' with a local social worker.

makes adequate nutrition difficult unless people have access to subsistence and food exchange networks.

Table 7.2: Main income support benefits in selected countries of Southern Europe

Benefit paid per month in €	Greece	Italy	Portugal	Spain
Minimum income guarantee*	148	268	125	286
Unemployment benefit (minimum rate) †	265	A	390	442
Non-contributory state pension†	182	559	138	259
Family allowance (3 children) †	141	110	92	73
<i>Notes: * = 2000, † = 2002, a = 40% of reference earnings</i>				

Source: Adapted from Matsaganis et al (2003)

Whereas the geography of income support depends less on the quality of local and regional governance, the provision of social services such as child protection require functional and pro-active decentralised ministries. Chapter Five showed that in the area of economic development, the state suffers from atomised responsibilities and programmes that lack a territorial dimension. However, in regard to social services there has always been a territorial and local strategy aimed at specific groups which began through participation in EU programmes for action led research into poverty and deprivation in the late 1980s (Matsaganis et al., 2003). One successful initiative in Alentejo was the Early Intervention Programme that was started in the region and similar programmes are now being implemented elsewhere in Portugal (Franco and Apolónio, 1998). It is a programme that aims to detect educational and social difficulties in children at an early age that can limit development and lead to social exclusion. A social dialogue forum held in Évora gave birth to the initiative that is run by a regional structure comprising of the decentralised offices of the Ministries of Education and Health, the regional social security offices, local authorities and a number of private non for profit organizations. The integrated response based on a partnership was an innovative response to the subject of child protection, even though the substance of the programme had been informed by a pilot programme in Coimbra which aimed to find a workable method of intervention based on its specific territorial circumstances. The point about the Alentejo programme is that the different partners were able to work successfully together to provide a service that is at the intersection

between different areas of intervention (namely education, health and social services). It shows that the quality of governance at a regional level can have important impacts in the area of social protection.

Before the state took an interest in social protection the welfare of the poor in rural areas like Alentejo was provided for by charity (Birmingham, 2003). This usually concerned acts of charity on behalf of large landowners to their workers. The only organisation which systematically took part in charitable activities was the Catholic Church and even today it is by far the largest donor in Portugal. The main institution within the Church that is responsible for social assistance in the *Santa Casa da Misericórdia* which was first established in Lisbon in 1498. Despite being part of the Universal Church each 'Santa Casa' is supported to differing degrees by the diocesan bishop, municipal councils and local people and they therefore vary in their scope and effectiveness. The Santa Casa in Évora runs a crèche and an old person's home which are means tested institutions where the less well off families pay very little. However, other Santa Casas are much more active in the community, such as the one in Sines which is widely known. It also has a crèche and an old person's home but in addition carries out targeted activities including a day centre to increase social inclusion, home help facilities for the elderly and disabled, an assistance centre for single mothers and pregnant women, and a refuge for victims of domestic violence.

Another institution which promotes social inclusion in rural areas is the local *Casa do Povo* ('House of the people'). In fact, they were founded during the corporatist era of the *Estado Novo* as the only legal form of association where workers could meet for social activities and nominally represent their economic interests. Since 1982 they have become voluntary associations that are supported by various local institutions including the municipalities. As a result they vary enormously in their activities; some towns and villages no longer have one, others are no more than a coffee shop and meeting place, whereas some have become fully functioning community development institutions. This is the case for the *Casa do Povo* in Safara, a small village in South Eastern Alentejo near to the Spanish border. Its budget for 2007 detailed in Table 7.3 shows its typical activities. It shows that the main activity is the running of a social and community centre in a building acquired by the *Casa do Povo* in the 1990s. Here people meet and take part in a variety of social and cultural events and there is a kitchen which prepares low cost meals (for the most poor in the village some are free). Its activities have

changed based on the participation of local people, particularly women which is a source of gender empowerment. The people who work at the Community Centre are paid but the management board is voluntary and includes a doctor, two teachers, a postman and a student. It is supported financially by the social security office, the local council and the development association of Moura. One of the board members, Isabel Gaviao said its success is partly down to strong support from the local council based on

Table 7.3: 2007 budget of the *Casa do Povo* in Safara

Activity	Details	Budget
Football Club	Costs for equipment, travel to matches, competitions, insurance, training, running the pitch and a minibus	€7000
Social and Community Centre	Since 1999 it has provided many services funded by the regional social security office and is now the main meeting place and assistance centre of the village	€260 000
Assistance to families	Childcare after school closing time, employing a part time child care assistant	€2400
Summer camp	Activities to occupy the time of children during the long school holidays to give parents a break	€2000
Singing group	Costs for song books and travel to take part in the traditional singing competitions in Alentejo (two groups; ladies / men).	€4000
Cultural week	Organisation of the cultural week for education purposes as not many artists usually visit the village otherwise	€12 000
Cinema	Maintains a large screen and rents new videos	€1000
Conservation of the buildings	Upkeep of the venues for the activities	€1000
Polidesportivo		€30 000
Total		€319 400

Source: Author

a political consensus whereas in other municipalities the *Casa do Povo* has become a political tool. This could be one lesson in the effort to build local capabilities to combat social exclusion but like culture there are also contingent factors; the leadership is highly motivated having restarted and energised the *Casa do Povo* in 1996. There are unfortunately no organizations that enable different *Casas do Povo* to learn from one another and create broader structures to sustain them.

A final point is that charity in the sense of direct donations of course depends on the quantity of donors in a region or locality and in this regard rural areas are at a disadvantage compared to more populous urban centres. One illustrative example is the institution known as a ‘food bank’ (*banco alimentaire*), which essentially involves companies and individuals donating food to poorer communities (this may include food which needs to be used quickly but also food that is collected at supermarkets). A key point about the food banks is that the products which are collected are only distributed locally, so there is no sharing of resources among places. Research by Reis and Valente da Costa (2008) show that the amount of food that is distributed is far greater in urban areas proportionally to the number of recipients (in this case they were pensioners), as illustrated in Table 7.4. It shows that pensioners in Alentejo received the least amount of food in this scheme and yet those who live in urban areas are on average less in need. There is therefore a risk that regions and localities get locked into a pattern of low wealth that restrict all activities, including charity.

Table 7.4: Quantities of food distributed by local food banks in 2004

	Number of pensioners	Tons of food distributed	Average quantity of food distributed per pensioner (Kg)
Greater Lisbon	484 395	6750	13.934
Greater Porto	292 660	4091	13.979
Évora / Alentejo Central	59 793	77	1.288
Coimbra / Baixo Mondego	93 226	301	3.229

Source: Research by Reis and Valente da Costa (2008)

Informal support networks, especially the family, have long been considered the bedrock of society in Southern Europe. In fact this has led many to suggest that these

networks replace the role of formal social protection which is often rudimentary: “In Portugal, a weak welfare-state coexists with a strong welfare-society” (Santos, 1993 quoted in, Wall et al., 2001). However, this characterisation of Portuguese society has been challenged for being too much of a generalised statement and there is evidence to suggest that there are high levels of inequality (Wall et al., 2001). On the one hand, the amount of financial assistance or help in kind (e.g. childcare) received from the family varies largely by social class and level of education. Naturally those people with greater financial resources can afford to support their children and also have the time to help with other tasks. Wall et al show that agricultural workers, which make up the bulk of the working class in Alentejo, are the least likely to be able to offer significant support in terms of time and money than any other employment group in Portugal. On the other hand, help in kind especially child care is less forthcoming in regions where young people have to migrate to find work. Separation through migration is a growing trend in Alentejo and therefore the help that the elderly receive from their children in old age is reducing. It is not a question of certain groups being less willing to provide family support but a restriction on capabilities which entrench inequalities between classes and regions. This reading was confirmed by an old person at the Safara Community Centre who commented that, “My three children have moved to Lisbon for work and if it wasn’t for the *Casa do Povo* I wouldn’t have anybody to spend my time with. I looked after my parents until they died but I don’t blame my children as there is nothing here for them to do” (Member of the Old Persons Club, *Casa do Povo de Safara*, 30th September 2009).

7.3.3 Intrinsic and instrumental roles of social protection

Sen lists social protection as one of five instrumental capabilities that contribute to development for good reason; without social protection in terms of a ‘living income’ and avoidance of ill health people cannot access other capabilities such as nutrition and leisure. The discussion here has shown that welfare has an intrinsic value too; not income support since money is always instrumental to purchase goods and services to satisfy other capabilities, but its provision through charities and the family can lead to a positive feeling of community and self-worth on behalf of both donors and recipients. In this sense the instrumental role of informal social protection can be described as a form of social capital; as an output for achieving other capabilities but also as an intrinsic capability in itself.

7.4 Quality of the Environment

Environmental issues are clearly important to a geographical reading of the CA because of the interaction between humans and their environment. This is the case in all regions but perhaps even more so in Alentejo where the land has historically been its most important resource and today issues such as water resources, landscapes and the balance between conservation and development is central to its future. The value of the environment for regional capabilities can be conceived in three ways:

- Environmental conditions including landscapes, lack of pollution, access to water resources is an important factor in the quality of life for those who live in a region (*its intrinsic value*)
- The quality of the environment impacts on other capabilities such as economic facilities and social opportunities, where there is a constant interaction (*its instrumental value*)
- The environment is a vital resource for the future capabilities of a region (*its importance for sustainability*)

This survey of Alentejo shows that if managed correctly, the environment can be an important capability for the region collectively now and in the future. However, it also shows that environmental issues are not subject to a high degree of democratic decision making, especially at the regional level. Furthermore, the resources that the environment offers are not always converted to capabilities in an even way and a high level of inequality exists within the region.

7.4.1 Environmental conditions as an intrinsic capability

Environmental conditions affect quality of life in a number of direct and indirect ways (Stiglitz et al., 2010, 81):

“First, they affect human health both directly (through air and water pollution, hazardous substances and noise) and indirectly (through climate change, transformations in the carbon and water cycles, biodiversity loss and natural disasters that affect the health of ecosystems). Secondly, people benefit from environmental services such as access to clean water and recreation areas, and their rights in this field (including rights to access environmental information) have been increasingly recognized. Third, people value environmental amenities or disamenities, and these variations affect their actual choices (e.g. where to live). Lastly, environmental conditions may lead to climatic variations and natural disasters, such as drought and flooding, which damage both the properties and the lives of the affected populations”.

On the whole, environmental conditions in Alentejo are good and contribute to a quality of life that is increasingly valued by those who grew up in large urban areas such as Lisbon (*Publico* 29th September 2010). Unlike other regions in Portugal and throughout Europe Alentejo has not experienced industrialisation to a large extent and therefore fits into the imagination of Portugal as it used to be, “a small garden planted on the seaside” (Pereira da Silva, 2002). Historically access to clean water for households has been a major problem but this has been solved thanks to investment that came with EU membership (though a lack of water resources for agriculture and industry is still a limitation from an instrumental perspective). Whereas the exact value placed on environmental amenities is subjective and may involve tradeoffs in capabilities (for example social and cultural activities in the cities), there is still an objective value for those who live in or visit the region.

However, economic development in the last thirty years has threatened the intrinsic value of the environment in some parts of Alentejo. The impact is geographically varied and is often the result of large industrial and construction projects. Firstly, the growth of the port of Sines on the coast of Alentejo has had negative impacts on the quality of life for those living nearest the industrial complex. These include the change to the landscape of a traditional Portuguese fishing harbour as well as the potential threat to health caused by air and water pollution. Secondly, the construction of the Alqueva reservoir has had a direct impact on the lives of those people who lived in the flood zone once the River Guadiana was dammed. One village called Aldeia da Luz was completely rebuilt on a new site. In addition, thousands of cork trees were lost, which had provided an ecosystem for many animals that have since died including the threatened Iberian black lynx. Finally, a threat that has affected a larger proportion of the population is the growth in forest fires which destroy properties and livelihoods as well as environmental amenities (also reducing the region’s instrumental capabilities due to their economic value). Forest fires are becoming more common partly because of the decline in population leading to the abandonment of traditional methods of forest management. Similarly, the extensification of agriculture caused by economic pressures but also demographic trends is leading to fundamental changes in the rural landscapes that have developed over centuries of human-nature interaction.

7.4.2 The instrumental role of the regional environment

Alentejo offers a wealth of environmental resources that can be used as capital for regional development. The most obvious resource is its land, representing one third of the Portuguese territory. However, as noted in Chapter Four, several obstacles prevent the region making full use of its potential. The EU's Common Agricultural Policy has promoted an extensive system of farming and acted as a disincentive for investment or to sell land for industrial use. In particular there has been a lack of investment in practices that conserve water; it is estimated that the agricultural industry wastes enough water to meet the needs of the two metropolitan areas of Lisbon and Porto (Pereira da Silva, 2002). This is one of the reasons why the Alqueva reservoir is needed and from an instrumental point of view the irrigation system which is currently being rolled out could have a very large impact on the efficiency of the agricultural sector if combined with a more productive orientated regulatory regime.

In addition, Alqueva is a resource for renewable energy and tourism though its official purpose has changed during construction (Gonçalves, 2001). Renewable energy does have great potential in Alentejo as in the rest of Portugal. Alqueva will provide hydro-electric power and there has been a significant increase in the production of solar energy, including the largest solar power plant in the world which has recently been completed⁹⁰. The plant is located at Baldio da Ferraria in the municipality of Moura which is the hottest and sunniest place in Portugal, the country which receives the most sunlight in the EU (IPS, August 9th 2010). There is also potential for more wind turbines on the coast which has already seen expansion in other Portuguese regions, notably Beira Litoral / Centro. Tourism is growing quickly in Alentejo too albeit from a small base, credited to the change in consumer preferences that favours a more authentic tourism experience in a region that has not been affected by mass tourism such as the Algarve. The growth of these two industries is however constrained by the emergence of a conservation movement in Portugal, as discussed below.

7.4.3 Sustainability of the regional environment

The sustainability of the environment is important for both the quality of life of the next generation as well as for future resources that are available for regional development.

⁹⁰ See Chapter Six about the political forces which drove the Moura solar development.

However, environmental management was not really considered in Portugal until it joined the EU⁹¹, though spending then increased dramatically especially during the Second Community Support Framework from 1994 to 1999⁹² (Perreira da Silva 2002). One of the most important initiatives during this period was the designation of eleven ‘Natural Parks’ in 1995⁹³ including two in Alentejo; one covering the South West Coast from Sines to the Algarve and the other a stretch of the River Guadiana near Mértola.

Despite several ‘accidents’ in the national parks where building regulations have not been followed and industrial complexes such as the one at *Herdade do Brejão* in South West Alentejo have led to serious pollution problems, the protected areas have helped to prevent the destruction of landscapes. This is especially noticeable for the coastline of South West Alentejo which has been beautifully preserved compared to neighbouring Algarve. However, at the same time there has been a suggestion that the new emphasis on environmental protection is overly restrictive on development and reinforces the urban-rural divide (Figueiredo, 2008). This illustrates a weakness about the CA which is its inability to reconcile competing capabilities, such as the intrinsic value of landscapes preserved for future generations and the negative effect on economic facilities and social opportunities created by restrictions on development.

Another example of this conflict concerns the growth in olive production in Alentejo and the gradual replacement of old varieties of olive trees with newer more productive ones. The old trees have been present for hundreds of years because of their ability to withstand arid conditions. They are symbolic of traditional Mediterranean cultural landscapes and produce a large variety of indigenous olives. The new trees on the other hand produce only a handful of different olives and require large amounts of water. There are also reports that they crowd out other flora which impacts on the ecosystem. However, they give good stable yields to the farmers and since the demand for olive oil is increasingly globally it is therefore much better than relying on volatile prices for cereals or meat. Yet one farmer from Serpa argued that old trees represented the patrimonial heritage of the region:

⁹¹ This is compared to the country’s recent history; in fact there had early been a strong tradition of concern for the environment including restrictions on hunting, forestry and construction in coastal zones, though these ancient laws were not respected in the Twentieth Century (Perreira da Silva, 2002).

⁹² The new policies in Portugal have coincided with a greater emphasis on the environment across government, including a dedicated ministry.

“I do not want to cover my land with new olive trees and add to this growing dominance of a single production. What will be the heritage that I pass onto my children? The French are buying up our old trees and transporting them to France because they recognise the value of the old varieties. Meanwhile Alentejo becomes impoverished. People complained about the wheat monoculture during Salazar’s time but now this is being replaced by an olive monoculture” (Francisco Carvalho Costa, Serpa, 17th January 2010)

The farmer also argued that the EU’s Common Agricultural Policy was encouraging this monoculture of new olive trees. He said that the EU gives subsidies to plant new olive trees but they no longer pay to preserve the old ones (there used to be an agri-environment scheme to protect them as well as the acorn trees which feed the native Iberian black pigs). Sen would argue that like the preservation of cultural traditions, conflicts with environmental conservation need to be solved through a well functioning democratic process but unfortunately this does not always exist in Portugal.

7.4.4 The interaction between environmental issues and political freedoms

Environmental capabilities and political freedoms interact in two ways. The first concerns the need for participation and transparency in decision making to address the conflicts that are inherent in sustainable development. This need has been recognised by the international sustainable development movement. Chapter 28 of the Agenda 21 agreement⁹⁴ specifically calls for public participation and the vital role of local authorities (Carter et al., 2000) and within the EU there are legal provisions to ensure access to information and public participation since Council Decision 2005/370/EC approved the Århus Convention of 1998. However, the evidence is that progress towards these goals has been slow and many legal provisions are not put into practice. For example, Carter et al found that 60% of Portuguese municipalities did not have any specific plan on the environment. Moreover, public consultations were rare and when they existed tended to be top down, meaning “telling people what they want: the ‘we know best approach’” (Carter et al, 2000, 185). Similarly, research as part of the EU’s Life programme showed a large information deficit about environmental issues surrounding the Sines industrial development (CCDRA-IST-FUL-ISCTE, 2008). The report found that 64% of respondents to a questionnaire in the Sines locality were either

⁹⁴ Agenda 21 is an agreement signed by all nations attending the United Nations Conference on Environment and Development in Rio de Janeiro in 1992

‘not informed’ or ‘little informed’ of pollution from the industrial complex. They also found that those who were more informed were less distrustful of the complex and were able to answer questions about its future development. The information deficit can be attributed to the weak role of local councils in environmental policy and the fact that most NGOs are national rather than regionally active (Carter et al., 2000).

A second interaction between the quality of environment and political freedoms concerns the level of independence regions and localities have to pursue environmental policies. In the case of Alentejo this is a particular limitation with regard to water management which is the responsibility of central government. Even the CCDRA (which despite being an arm of central government is the closest form of regional governance) has recently been stripped of its responsibilities for water management in favour of a semi-public body, a decision which is described as “extremely regrettable and possibly the beginning of the privatisation of water provision in Alentejo” (Jorge Honorio, 24th August 2009, Évora). The central government tends only to involve itself in large construction projects such as Alqueva and the provision of irrigation infrastructure without having an integrated territorial plan since these projects also affect other policy areas like agriculture, tourism and climate change (Cots et al., 2009). Moreover, the lack of local and regional authority has limited transboundary cooperation with Spain where the autonomous community of Andalusia has responsibility for water management but the CCDR now has none, which is a similar story to the Olivenza bridge project described in the previous chapter.

7.5 Conclusion

This chapter has shown that social opportunities, protective security and the environment are among the most important factors in shaping regional quality of life. They represent intrinsic capabilities in the sense that they cannot be bought or sold. However, quality of life is subjective since for some living in Alentejo’s natural environment with low levels of pollution and beautiful landscapes is an attraction, for others the sparse population and dearth of cultural and social activities mean that life in the urban metropolis is still much more appealing. These capabilities are also very important from an instrumental point of view. Positive initiatives including cultural projects such as *Espaço do Tempo* and *Novos Povoadores* show that a ‘people centred’ approach to development may be more successful than a pure competitiveness approach

to the economy and job creation. This people centred approach has to start with increasing social opportunities, especially for young people while maintaining and promoting the region's environmental quality. The complexity of these capabilities stems from the interaction with other capabilities which is a process that Sen stresses in *Development As Freedom*. However, this complexity makes regional capabilities difficult to measure from a quantitative point of view.

CHAPTER EIGHT: CONCLUSIONS AND REFLECTIONS

8.1 Introduction

This thesis has attempted to determine if and how the Capabilities Approach (CA) can be used for the study and practice of local and regional development in Europe. It has done this through an analysis of the five instrumental ‘freedoms’ proposed by Sen in his book *Development as Freedom*, which brings together much of his previous work on the CA that crosses several disciplines of social science. This task has been extremely challenging, because it is based on a diverse academic literature and covers a broad range of issues in political, economic and social life. The scale of the challenge is probably why the CA has only been referenced in the regional studies literature and a comprehensive analytical framework has not been attempted.

As the task of adapting the CA to regional studies and practice was at a very early stage and because of an epistemological viewpoint that theories should be built empirically, the research questions have been answered through the use of an in depth exploratory case study; the methodology was outlined and discussed in Chapter Three. A large amount of data was collected from the field in the Portuguese region of Alentejo, primarily through semi-structured interviews. On the one hand the nature of the data has allowed some interesting observations about how geography may affect capabilities in complex and locally specific ways. However, on the other hand the ability of the data to translate Sen's instrumental freedoms into a researchable and practical approach is highly variable.

This final chapter therefore aims to directly answer the research questions posed at the end of Chapter Two while at each stage considering the advantages and limitations of the data. Methodological considerations are particularly relevant in answering the first research question, namely whether the CA is useful as an approach to studying local and regional development in Europe. The answer overall is positive however there are problems in operationalising aspects of the approach which mean that further work is required for it to become more coherent. The second question has yielded some useful insights and the influence of geography on capabilities is grouped around human,

physical and scalar factors; though crucially it is a combination of these that count and the aggregation of capabilities and their interaction is shown to be difficult to measure. Thirdly, the question of how the CA can be used as an evaluative framework suggests that quantitative metrics may need to be developed, especially if regions are to be compared; though this will inevitably lack the explanatory power of qualitative research. Finally, the fourth research question relates to policy and practice, namely how capabilities in regions and localities can be built, given the findings of this research project. A lack of a coherent argument for the approach and a convincing system of evaluation may prevent the development of appropriately targeted policies and measures. However, in answering this research question it is nevertheless argued that a better understanding of the CA as applied to local and regional development can help to form a menu of interventions for consideration by policy makers.

In addition to answering the research questions with a critical eye on methods, a further reflective section on methodology is added to the conclusions. Here I confirm some of the potential weaknesses in the design of the project that were introduced in Chapter Three. In particular, the reliance on semi-structured interviews has restricted the ability to operationalise the approach in a coherent manner. Nevertheless, the conclusion is that the research project has helped in advancing the difficult task of applying the CA to local and regional development, and with further work, particularly methodological, it has the potential to become a transformative approach.

8.2 Is the Capabilities Approach useful for studying local and regional development in Europe?

The answer to this question unfortunately remains inconclusive. On the one hand, the theoretical discussion and the field work illustrate substantial potential. On a conceptual level the CA offers a completely new framework where the causes and results of development are considered with a much more critical eye. This is confirmed by the empirical data where a deep analysis of social, political and economic life in Alentejo show that “development” has a different meaning than the neo-liberal mono focus on economic growth. On the other hand the conclusion can only be that the approach *could* be useful because the thesis has not been able to operationalise it, in the sense that a practical method of using the approach is still far away. The aim of the thesis was not in

fact to arrive at a fully functional method, as explained in the opening chapters; it has been an explanatory project that hoped to advance the approach through the use of Sen's five instrumental freedoms. However, the different chapters that address these freedoms are more or less successful in achieving this. The contribution of the thesis to advancing the approach is first outlined, in particular how it can nourish the Regional Studies literature, and in the opposite direction how a geographical perspective can improve the CA itself. Secondly, this section looks at the difficulties of operationalising the approach that the project encountered.

8.2.1 Contributions of the thesis to regional studies

One of the main contributions of the CA to studying local and regional development in Europe is that it adds a normative dimension. Chapter Two described what can be called the paradigm of endogenous development, which focuses on territorial capacities as drivers of development. As a consequence of this paradigm, policies have become more territorial where the emphasis is on realising the potential of all regions, rather than redistributing wealth according to Keynesian principles. There has however been a significant limitation to this new approach: An emphasis on the local and regional scale has unconsciously ignored the important debate about the aims of development in the first place. The CA argues for progress to be assessed on individual and collective achievement across a wide spectrum that is not only economic, but also includes norms such as personal fulfilment, societal cooperation and welfare. By focusing on Sen's instrumental freedoms while contrasting these with intrinsic capabilities, the thesis shows how development in localities and regions can be conceived differently than hitherto.

In fact, the CA changes the way we perceive capital from a term that describes productive possibilities to one that can also be considered an output of development. Many examples from the fieldwork in Alentejo illustrate this difference:

- Economic facilities have clear instrumental value, but to be capable of economic activity whether it is through improved trade, increased productivity or better quality of employment is intrinsically important.

- Political freedoms in the long term are instrumental to economic and social development, but they are also valued in themselves, as shown in an analysis of national and local electoral results in Portugal.
- Social opportunities are essential for the future of a region such as Alentejo because out migration of youth deprives the local economy of essential human capital, yet the existence of a diverse and young population is considered an essential element in the quality of life of all. Transparency of the public sector encourages investment but access to information is valuable for many reasons and creates trust in collective organisation.
- Welfare is clearly intrinsically important to prevent poverty and destitution that still exists in Europe, but it is of instrumental value because a social and economic safety net allows risk taking that contributes to economic transformation.
- Finally, the fieldwork has shown that capabilities are linked in complex ways so the instrumental freedoms analysed in Alentejo impact on each other and also lead to important intrinsic benefits. For example, an important interaction is between economic and social capabilities: a lack of economic diversification in Alentejo has made the region less resilient and attractive to young people which in turn reduces social opportunities and impacts on quality of life.

The CA also contributes to the ongoing debate about the extent to which regions are ‘bounded’; or whether we can think of regions as territorial units since many of the processes within them are linked externally to national and global networks. The analysis here shows that in Portugal capabilities are very strongly influenced by the central state, the EU and the global economy. Yet some localities are better placed to control and adapt to these structural changes due to specific place based factors such as the quality of governance and the sustainability of the economy. Also, many of the intrinsic freedoms that we enjoy such as social opportunities, the quality of environment and some aspects of consumption are still very much territorially bounded. Therefore territorial factors still matter. Furthermore, the instrumental freedoms such as access to economic facilities may be unevenly distributed within a region: The more powerful and well connected can access them but the poorer and less educated cannot. In other

words, for some people regions are more territorially bounded than for others. In summary, the CA does not automatically favour any particular scale which has been the tendency in the literature on endogenous development. In this sense, ‘capability’ is a better term than ‘capacity’ because the latter suggests that the solution to development problems can be found *only* in the region, when it is clear that all scales are important in influencing outcomes.

8.2.2 Implications for the Capabilities Approach

The above section shows how the CA can be useful for regional studies. Yet the analysis of capabilities from a geographical perspective also highlights several difficulties and consequently can help to modify and improve the approach itself. Sen’s work provides a framework that can be strengthened by investigation in different academic disciplines:

“The more challenging implications of Sen’s work are largely left unexplored in Development as Freedom and exploring them makes the capabilities approach even more provocative and promising” (Evans, 2002, 54)

Firstly, an issue that Sen ignores is the choices or tradeoffs between different capabilities. The research has shown that the expansion of a set of freedoms for one group of people or locality may lead to a reduction for others. Several examples can be found in Alentejo. One obvious case is the Alqueva project since damming the River Guadiana required the relocation of many families to new accommodation (for them the compensation offered by the government was little consolation for losing the intrinsic freedom to live where they wanted). In addition, natural habitats were lost including that of the endangered Iberian black cats. Alqueva brings many new economic opportunities to the region but the decision to progress with the project was not democratically debated by the people who live in Alentejo. If it had been open to this debate then it may not have been built. The tradeoff therefore is between economic development of the region (and of the country as a whole) and the political freedoms of those who live in Alentejo. Another dilemma in many development strategies is based on the pros and cons of agglomeration and this can be seen too in Alentejo. Regional policy in Portugal consists of a multitude of programmes but one which has received much resources and attention is the POLIS programme as analysed in Chapter Four. This concentrates on urban networks, linking the main centres of trade and population more closely. This

strategy is reinforced in the regional spatial plan (PROT) and the consultant who helped formulate it argued that much of Alentejo was so marginal that resources would be wasted if spread evenly over the region. The push for agglomeration and benefits of cumulative causation can therefore reduce the capabilities of those villages and towns outside the urban networks.

Secondly, Sen's approach focuses largely on the expansion of the capabilities of individuals and yet this thesis has attempted to develop the notion of 'regional capabilities'. In doing so, the analysis has shown that it can often be difficult for an individual to expand his or her freedoms without the cooperation of others or the political, economic and social influence to force change. In terms of cooperation, it has been shown for example that it is difficult to develop the tourist industry - and thus employment opportunities - without a joint marketing campaign for Alentejo. Similarly, community development groups such as in Safara and Arriolos or olive and wine cooperatives have been the main vehicle for increasing economic and social opportunities at the local level. These organisations together with trade unions and municipalities can also act collectively to force change and more progressive policies. In short, the thesis shows that there is value in incorporating a spatial and social perspective in the CA rather than just a focus on individual utility.

Thirdly and finally, as capabilities often interact, the need for joint action is even greater. Economic development has stalled in Alentejo partly because there is no regional strategy but this can only realistically be achieved with stronger regional governance arrangements. In fact, local decision making and participation (intrinsic political freedoms themselves) are particularly dependent on collective action. As has been shown, restrictions on collective action can often be caused by of a lack of trust and cooperation within communities but also from outside because of the centralised nature of the Portuguese state. Thus, the expansion of individual capabilities depends on the expansion of collective capabilities, which are often defined in particular geographical spaces.

8.2.3 Limitations of the thesis in advancing the CA

Notwithstanding the above discussion which shows how the CA can be useful in studying local and regional development, this exploratory project has only gone so far and this means that an answer to this research question is limited. Section 8.6 reflects

further on the limitations of the particular methodological tools adopted; here I describe how the results of the project are variable, which may or may not be a result of the methodology.

The analysis of capabilities based on Sen's instrumental freedoms has been a neat structure for the analysis, however they are arguably too broad to allow meaningful research categories. In reality, one of these five instrumental capabilities could have been tackled and the results would have been more concrete. The main argument for looking at all five was that capabilities interact and therefore the story would have been incomplete. This notwithstanding, each of the five capabilities has their own particular difficulties and some worked better than others.

Economic facilities at first seemed to be the most promising area of investigation because of the amount of data available and, notwithstanding the intrinsic importance of all capabilities, the need to transform the economy of Alentejo is evident. However, the amount of data is simultaneously an advantage and disadvantage because the results are not focused. The regional economic background section in Chapter Four merges with Chapter Five and it is difficult to distinguish context from results. Moreover, to make meaningful statements from some of the secondary data for example on innovation or employment then more triangulation is required. There is a problem of assigning cause and effect of the data, which could be a problem related to relying on semi-structured interviews (see section 8.6). There is an argument that other forms of data collection such as a survey of firms or employees would carry more weight when analysing economic facilities. As a way of improvement for studying these capabilities I would concentrate on the network of actors in the region and find data to measure more precisely their relative capabilities in the market, the effect of the space economy and their connectedness within and outside the region.

The second type of instrumental capability tackled in Chapter Six is political freedoms and this seemed to be the most focused and useful. The reason could be a matter of timing because the fieldwork was carried out during the local and national elections when political debate was higher. The results of the election at different spatial levels could be triangulated with the interview material. However, a more substantial reason is that many capabilities are dependent on good governance, a point that was acknowledged already in the literature review and which underpins much of the

academic analysis in Development Studies. This is also the case with political freedoms at local level in Europe because a transparent and enabling political environment allows human potential to flourish in the economic and social spheres. Finally, whereas all capabilities can be divided into their instrumental and intrinsic values, political freedoms offer a third, constructive value as outlined by Sen. This relates to how people in a given constituency envisage their future and build strategies and this appears very relevant to the local and regional scale which are geographically defined democratic boundaries and offer varying levels of freedoms to exercise democratic freedoms and participate in political life. Thus, it was shown that despite the weaknesses, local democracy is strong in Portugal and the comparisons of municipalities in Alentejo revealed differences in all three values of democracy, and how these are lacking at the regional scale: The intrinsic importance was shown by looking at electoral data and through analysis of the interviews; the instrumental role was shown through the varying performance of municipal authorities in local development; and the constructive role was shown both by analysing the opinions of constituents in the local elections and comparing their knowledge of priorities for the locality and the lack of a development strategy at regional level.

The social opportunities chapter has similar problems to the analysis of economic facilities, namely their broad nature and the difficulties of establishing cause and effect. On the one hand the interview data is rich and there seems to be a promising research field on the interactions between economic facilities and social opportunities. In particular, the chapter analyses the link between capabilities and the concept of social capital with its elements of trust, cooperation and networks. As Sen does with human capital, the chapter argues that social capability is a better concept than social capital. However, other aspects of the analysis are not well focused and it is hard to make conclusions from the large amount of data on demographic trends and education. The analysis here looks at a number of social opportunities that may impact on capabilities in an intrinsic and instrumental sense, but the causality of the latter in particular is difficult to determine. This chapter would have benefited from an inter municipal comparison in the same way as the chapter on political freedoms but the scope of the project did not allow for it, thus reinforcing the suggestion that the analysis of all five instrumental freedoms was too broad. Finally, Sen's fifth instrumental freedom, protective security, and an additional 'geographical' capability, namely quality of the

environment, were analysed relatively superficially. For protective security it was difficult to get data through interviews and more consideration on methodology would be needed to take the analysis further. There is a very good argument for looking at how the quality of the environment provides intrinsic and instrumental value but again this alone could have been the subject of a whole research project.

In conclusion, it must be acknowledged that while the thesis has provided useful insights, and for the theoretical literature in particular, the project has not been able to offer a clear method of using the CA to study local and regional development. This is partly because of the breadth of the study and the resulting lack of focus on the causes of capability creation or deprivation, with triangulation to confirm the results. The chapter on political capabilities was the most successful in this regard and is perhaps the most promising line of enquiry for future work.

8.3 How does geography affect capabilities?

Answering the first research question above and the limitations of the analysis has to be borne in mind when answering the other research questions. Nevertheless, the project has provided some interesting insights. This section addresses the second research question and shows that a multiplicity of geographical factors can have an influence on capabilities in any given place. Some of these factors may be related to *physical* features such as location of people and firms, distance to centres of population, access to resources (especially water) or services (e.g. banking). Secondly, some may relate to *social* features including the quality of education and health provision, political autonomy and accountability, or the supply of fulfilling employment. Finally, *scalar* factors related to power and the global economy are also important influences. Some of these factors are illustrated below by the case of Alentejo, followed by some critical observations about how they can be identified and measured.

8.3.1 Physical factors

Alentejo's physical geography is simultaneously a significant advantage and a limitation to the development of its net regional capability. It is an advantage because of the many resources found within the region. One of the major resources is the vast

amount of land which can be used for primary industries notably agriculture, as well as secondary industries that require space. Examples of these industries include the waste processing plant in Figueira e Barros, the olive oil residue installation in Alvito or the aeronautical cluster near Évora. The region also has an enormous role to play in the future low carbon economy illustrated by the potential of renewable energies in places like Moura. Another advantage is its proximity to the capital city and its position along the main West to East route connecting Lisbon with Madrid. This will be enhanced if the proposed high speed rail link and the new Lisbon airport on the South bank of the Tagus are finally built. These advantages contribute to the region's instrumental freedoms but the natural resources also make a significant contribution to quality of life and therefore the intrinsic capabilities enjoyed in Alentejo.

However, at the same time these geographical features are a disadvantage. Although natural resources are important and contribute to the 'real economy' that has become more valuable following the recent global financial crisis, they do not necessarily help those who live within Alentejo. The profit from these resources is often realised outside the region and Alentejo remains locked into a low wage position in the territorial division of labour. There is a small manufacturing base and no service sector capable of supporting the commodity markets which reduces employment opportunities and wealth creation for those based in the region. This is mainly due to the low population and skill levels which create a type of chicken and egg conundrum; the lack of jobs causes brain drain which in turn prevents the development of the economy.

The size of Alentejo is also a problem. Whereas the land is a resource, the size also increases distance to services which are lightly scattered over the territory because of a shortage in demand. Proximity to Lisbon can be a disadvantage in this regard since people are expected to travel there to access many services, yet it can still be anywhere up to a three hour round trip. In addition to its negative impact on net regional capability the size of Alentejo significantly increases the inequality of capabilities. There are examples of promising local development dynamics in certain municipalities of Alentejo such as around Vendas Novas, Évora, Élvás and Santiago do Cacém. These localities are well connected to the regional and national capital through transport networks. Other places notably in Northern and Southern Alentejo remain isolated and the distance to urban areas and the market has a significant negative impact on economic and social opportunities.

8.3.2 Social factors

Despite the physical advantages and constraints, the analysis shows that it is social factors that may have had the biggest influence on capabilities in Alentejo. Some have suggested that the region's physical geography is the main cause of its socio-spatial problems. For example, it has been argued that the vast size and dominant agricultural sector leads to a small population with few skills. Yet, whereas there may be evidence to show that Alentejo has become locked into a path dependent trajectory, this is mostly due to its economic and social history. Furthermore, evidence in the literature shows that regions can indeed break out of path dependencies through social (mainly collective) initiative.

The main constraint on capabilities in Alentejo seems to be the lack of economic and social opportunities, especially for young people. This can be seen as a serious capability deprivation from both an intrinsic and instrumental perspective. For example, the lack of jobs in terms of number and variety means that people are not free to use all their capacities in the market place, which is both unsatisfying and reduces their earning potential. As a result, Alentejo has suffered large scale depopulation especially the emigration of youth. This in turn has led to a reduction in social opportunities that affects everyone. Intrinsically it reduces social interaction which is an important element to the quality of life and instrumentally it deprives the region of human capital required for its development.

However, there are examples of positive initiatives that can be considered as a counter weight to the negative influence on capabilities of social factors. These initiatives link economic development with wider social objectives, including the new engineering course at Évora University that complements the emerging aeronautical sector or the theatre project at Montemor that has successfully created a cultural dynamic in the town. However, these initiatives are very uneven and tend to locate in places which are already successful. There is thus a danger that inequalities within the region are entrenched. This process seems to be encouraged through state policies. The priority of urban and spatial planning through programmes such as POLIS (urban networks) and the attention given to PNPOT/PROT (national and regional spatial strategies) offers little hope for the smaller towns and villages of Alentejo. There is an unresolved question

here between the need to achieve critical mass through agglomeration versus the distribution of opportunities over a larger area. At present, access to services mirrors the uneven distribution of social and economic opportunities. This has a negative impact on quality of life because of the need to travel, such as the students of Alvito who attend schools in neighbouring municipalities. It also reduces instrumental capabilities such as access to financial services.

8.3.3 Scalar factors

One of the recurring themes in the analysis of the Alentejo case is the power of institutions operating at scales outside the region. This can be observed in every chapter covering the main instrumental freedoms. In terms of economic facilities, Chapter Five showed that much of the means of production in Alentejo is controlled outside the region with many absent landlords and few head offices of national and international firms. The Chapter also showed that macro-economic trends can significantly shape the regional economy but not always in the way that may be expected; the region has actually shown a high level of resilience to the recent financial crisis since its economy is commodity rather than service driven. Finally, the Chapter showed that the region is highly dependent on national and European policies, in particular financial transfers in the form of regional and agricultural funds. However, within this overall economic framework there is still room for local economic initiatives to give people greater control. Positive examples include the regional SME financing scheme led by the Regional Development Agency, ADRAL and the collective spirit in the successful regional cooperative movement.

The importance of scale is also evident in the analysis of political freedoms in Alentejo. Chapter Six showed that there is a strong localism but this is dependent on the centre, notably because of very little autonomy in the area of financial resources. Municipalities are dependent on central government for financial transfers as well as approval of development projects in most areas. This leads to a clientilistic relationship that can result in inequalities of capabilities within the region as well as between regions in Portugal. It also has a negative impact on transparency since lobbying for resources often occurs behind closed doors in Lisbon. The consequence of this constitutional and political status quo means that the regional level has continued to be ignored as a potentially efficient and emancipating form of government. The existing arrangements

for regional governance are highly centralised through the CCDRs and there is no regional political culture. The consequences of this lack of autonomy at local and regional level can be considered as twofold: Firstly it can be seen to have a negative effect on intrinsic capabilities, namely the power to influence decisions that affect communities and individuals. Secondly, there are negative consequences for instrumental capabilities, notably the lack of local or regional strategies making development poorly coordinated and less effective in achieving the wishes of people from Alentejo.

Finally, Chapter Seven showed that social opportunities are often influenced by the dominance of the Lisbon Metropolitan Area. Its proximity to the region means that many people travel there on a regular basis but this is ultimately unsustainable and leads to inequalities since not all can afford the costs involved. Culturally there is a perception that moving to Lisbon is a sign of success and important for social mobility. There is some evidence to suggest that this culture has reached its peak and a new generation of young people may be attracted to the quality of life that Alentejo can offer. For example, the *Novos Povoadores* initiative has highlighted the wish of families to move from Lisbon into the interior given the right support.

8.3.4 Problems and issues in analysing the influence of geography on capabilities

The case of Alentejo shows that there are certainly socio-spatial factors that can have an influence on the instrumental freedoms outlined by Sen. A qualitative case study can thus help to analyse these factors as background when designing a regional development strategy. However, there is still a methodological gap from here to a conclusion on how weak or strong capabilities are in a regional context. In this respect a number of problems have emerged during this project that still need to be addressed.

Firstly, the influence of different factors varies considerably. Whereas all factors may have a role, clearly some are more important. For instance, structural conditions will have an effect on other freedoms and are thus more significant in measuring overall capabilities. This project did not attempt to develop a hierarchy of geographical factors that influence capabilities but this would help to operationalise the approach.

A second related issue is one which Sen himself recognises and underlines in his work: It is the combination and interaction of freedoms which determine capabilities. The findings of this project illustrate this point both at the level of the individual and the region as a whole. Freedoms can combine and interact in a positive sense, since a region can benefit from processes of cumulative causation whereby geography acts as a multiplier of capabilities. However, geography can also act in a negative sense whereby capability deprivation in one area affects other capabilities in a vicious circle. Evidence of both these processes can be observed in Alentejo, although it is the negative combination of factors that is most clear. For example, the lack of social opportunities and economic facilities causes young people to leave the region. This in turn reduces intrinsic capabilities including family life and instrumental capabilities such as human capital for economic development. In some cases the combination or interaction of factors is clear; however it is difficult to scientifically measure. As introduced in Chapter Two, in depth qualitative research can attempt to explain these combinations and interactions. However, the single case study method adopted by this project makes it difficult to triangulate observations. More research in different European regions would therefore help to operationalise the approach.

Thirdly and finally, the effect of geography is unevenly experienced by individuals and different localities within Alentejo. When making observations about certain physical and social factors it is not always easy to infer how these will have an impact on capabilities. In this respect, other methods that survey a large number of people in a region would help to determine the role of geographical factors and consequentially to operationalise the approach.

8.4 Assessing local and regional capabilities as an evaluative framework

As mentioned at the beginning of this thesis, and in the first section that assesses how useful the CA is for the study of local and regional development, one of the attractions is that the approach could offer the normative framework for assessing local and regional development. The current financial and economic crisis in particular has challenged us to reconsider the meaning of development, including at the local and regional scale. There has been widespread agreement that traditional measurements of

development such as GDP are inadequate and the CA can potentially offer an alternative form of measurement.

8.4.1 A focus on intrinsic capabilities

The use of the CA in analysing Alentejo shows that it can offer important insights into the real impact of regional change. The main advantage is that it separates what is intrinsically and instrumentally important. While acknowledging the role of instrumental capabilities in the achievement of intrinsic capabilities, it is the latter which decide whether real progress is being made. In the case of Alentejo it is possible to see the region in a new light by adopting the CA, both positively and negatively. From a positive perspective it could be argued that Alentejo is not as ‘underdeveloped’ as many in Portugal and Europe presume. Compared with other regions it has been more resilient during the recent global crisis because it relies less on services and has the potential to profit from growing sectors such as renewable energy. It can also have a higher quality of life than large urban areas with low levels of crime and pollution and easy access to natural amenities. On the other hand, it could be argued that Alentejo is less developed than the above average GDP figures suggest. Widespread unemployment and low levels of economic activity are reinforcing a culture of dependence that reduces personal fulfilment and restricts entrepreneurial spirit. Moreover these capability deprivations are unequal within the region and some localities are highly sensitive to changes in government spending on welfare and public services. Finally, the lack of political freedoms can be seen to be particularly negative since the evidence shows that they are considered as intrinsically valuable to many in Alentejo, irrespective of the instrumental role they may play in increasing other capabilities. This can be seen in the analysis of voting behaviour and views on regionalization. These arguments have often not been used when debating sub-national governance such as the pros and cons of devolution yet the CA suggests that they are as important as promises of an ‘economic dividend’ or other benefits. Overall, the CA questions what is meant by development and for whom it is pursued. It affords places a means of more holistically assessing their needs and potential.

8.4.2 Unresolved issues

Despite these observations there are a number of problems with using the CA for evaluating local and regional development which are mainly methodological. The

problems arise from the difficulty in measuring quality rather than quantity in numerical terms, measurements which make it possible to easily compare regions and which are often demanded when justifying the use of public money. For example, it is not just the existence of sub-national democracy which is important but the extent to which people participate in the decision making process. Electoral statistics can help to make some judgements but it is the active participation on a regular basis such as through stakeholder consultations facilitated by transparency in decision making which give the real picture. Another problem is that some intrinsic capabilities are subjective which means that certain freedoms (e.g. the ability to participate in cultural and artistic activities) are more valued by some than others. This makes it hard to set priorities because of the practical difficulties in surveying preferences. Finally, it is particularly difficult to measure the distribution of capabilities because each person's situation can affect their ability to access them. This situation includes a spatial element such as the distance and ease to access capabilities.

However, despite these epistemological observations, there still needs to be a tool developed that can practically be used to assess local and regional development. One method, which has already been mentioned is to develop alternative indexes such as the one by Perrons (2011). Yet another would be a kind of 'regional health check' where weaknesses in capabilities would be identified for targeted investment. These health checks would be individual for each region and could be based on a common template asking evaluators to look for evidence of different economic, political and social capabilities. These capabilities would be weighted as indicated in the previous section.

Another problem is that when evaluating territorial development there is a distinction between the aggregate level of capabilities and their distribution between localities and individuals. The first takes into account the quantity and breadth of capabilities irrespective of who enjoys or makes use of them (in Sen's terms converts them into 'functionings') and the second analyses how evenly the net level of capabilities are experienced. Any evaluation of local and regional development that adopted the capabilities approach would have to take this into consideration. This would be particularly important when attempting quantitative analysis of capabilities in a region.

8.5 The Capabilities Approach as a method for local and regional development and the consequences for policy making

8.5.1 Expansion of instrumental freedoms for place based and balanced territorial development

Whereas evaluation has clearly to separate ends and means, using the CA as a method of local and regional development focuses primarily on the instrumental capabilities around which this thesis has been structured. The logic is that if these capabilities are increased then it is also likely that intrinsic capabilities will also expand, though it is difficult to prove this causation. The basic belief held by Sen when elaborating the CA is that humans are capable of remarkable achievements if they are given the freedom to act. The task for policy makers is therefore to provide the conditions which enable development, which is a different approach to conceiving development as something that is ‘done’ to people. These conditions would remove barriers to individual and collective initiative and could be achieved through measures such as simplification of state bureaucracy, transparency and independence of local government, or special tax regimes for SMEs. In addition, authorities at different territorial levels can take proactive measures to encourage cooperation, education and innovation.

On a more abstract level, expanding instrumental freedoms at local and regional level will help to enable a more balanced development of the national and European territory. Capital and labour mobility is often restricted because some regions and localities do not offer the right conditions. Clearly they will always have different contexts, strengths and weaknesses. The aim of the CA should be to increase their strengths while limiting their weaknesses. In this respect the CA follows the ‘place base approach’ to local and regional development (Barca and McCann, 2010). It aims to create the conditions in particular places where people can make use of their own individual agency or combine with others to achieve their aims. It makes people freer to live where they choose depending on their own particular circumstances, rather than being limited geographically.

To a certain extent, the CA would allow the EU to address the longstanding question of whether its regional policy is only about cohesion but also about competitiveness. The CA encourages policy makers to rethink the aims of development and the meaning of competitiveness. If it refers to reducing costs especially of labour in order to compete

internationally then localities and regions will remain locked into a low value position in the global product chain. However, if the focus is on fostering innovation and improving skills (the so called ‘high road’ of development) these places will be competitive because of the quality of their products and services. Cohesion policy tackles these structural weaknesses and therefore it is *through* cohesion that competitiveness can be achieved.

8.5.2 Limitations for policy lessons

Although the analysis in this thesis does advance a territorial understanding of the CA, policy makers would be entitled to demand clearer guidance. Currently it still only offers a framework for thinking about development rather than a policy tool. Given its philosophical origins and self confessed complexity this may not be surprising and in fact Sen himself remains “curiously silent about the practical implications [of the CA]” (Corbridge, 2002), which indicates the scale of the challenge. In order to become a useful policy tool, a number of tasks need to be carried out. In particular, evidence based policy making requires well developed indicators and a baseline from which to assess progress. Indicators would have to be chosen as proxies of the different instrumental freedoms but this is difficult; the chosen indicators will inevitably not cover all the freedoms comprehensively and will not be able to capture the interaction between different freedoms that Sen posits is fundamental in assessing overall capabilities. Furthermore, policy needs well developed tools for monitoring and evaluation and this is difficult given the lack of indicators. The argument that capabilities have increased in a given place may appear subjective and used for political purposes. In order to be credible, a straight forward presentation of the CA and how progress is measured would be needed and the approach is perhaps too complex. In summary, the methods used in this project cannot deliver an operational approach for policy makers and arguably other methods would also struggle to satisfy the requirements of policy design.

8.6 Further methodological reflections

Chapter Three explained the choice of methodology for this project based on the requirements of the research questions. Given that these questions were exploratory in nature, a qualitative approach that relied on semi-structured interviews and secondary

sources was chosen. The argument was that the CA was not fully developed and adapted to a geographical context to measure capabilities in regions. In fact, the principle objective was to investigate how useful the CA could be for Regional Studies. However, on reflection several weaknesses in the method adopted can be identified and it can be argued that additional methods would have made the data more robust.

Despite the existence of a strategy for identifying interviewees, the choice was limited because it took time to get to know Alentejo and the main actors. Some interviews yielded much better data than others and undoubtedly there were many other people in the region who would have provided different views. Moreover, decisions on which information from the interviews to use were not easy. Every effort was made to triangulate the data with other independent sources to ensure it was valid (e.g. another interview or secondary source) following the methodological advice from experienced qualitative researchers (e.g. Mason 2002). However, at times this was not possible because an independent source could not be found. On the one hand this makes the data less useful in determining substantive facts. However, on the other it could still be used to understand the perceptions or opinions of people which are real, even if the accuracy can not be determined. For example, a perception that some businesses were discriminated against for local political reasons may not be true but these perceptions are still important for considering the issue of trust in local democratic systems.

Some of the methodological weaknesses of the semi-structured interviews could have been compensated for through additional methods that would have given richer data and addressed problems of triangulation. For example, focus groups of local experts could have been organised after the interviews to discuss the results and corroborate or reject findings. Analysis of quantitative data to back up findings from the interviews, such as the use of election data in the chapter on political freedoms, could have been used more widely. Finally, surveys would have given a broader view of opinions than those of the selected interviewees. The reason why some of the additional methods were not used takes the discussion back to the start of these conclusions, namely the realisation that the scope of the project may have been too wide and the quality of the data in turn has suffered. It points to the need for more intense inquiry into specific aspects of the CA, following the analysis of capabilities that worked well (i.e. political freedoms and social opportunities). This said other limitations of the project such as language and

unfamiliarity with the region should also be taken into account when assessing methodological choices.

Lastly, I should like to return to a common methodological criticism, namely the extent to which the analysis of Alentejo as a case study can be taken in a general sense to understand how geography affects capabilities. It could be argued that a significant proportion of the causation that produces or deprives capabilities in Alentejo is context dependent. For example, the economic and political history of Alentejo can be seen to have created path dependencies where a culture of dependence has evolved that prevents or suffocates both individual and collective initiative. Although similar cultures may be found elsewhere and notably in other regions of Southern Europe, the analysis suggests that Alentejo is especially affected by the phenomenon of regional lock-in; here the region is assumed to be capable of fixed economic, social and political objectives which to a certain extent limits its development by influencing the imagination of those who live there as well as those outside (mainly in Lisbon) who affect it. However, other factors are less conditioned by regional specificity, such as constitutional provisions for sub-national government, although these may also be unique to the Portuguese case. Still further there are traditional development factors including location, distance, proximity to services and availability of natural resources that may be used in a general theory of regional capabilities. Finally, there are several overarching conclusions about how capabilities may interact or ‘traded’ which would be useful in analysing other regional contexts. As was noted in Chapter Three, the epistemology of Sen’s work is in fact to analyse specific cases independently, developing an approach rather than a meta-theory.

8.7 Final remarks

As noted in the introduction and in chapter three on method, this research project has been very much exploratory; the primary aim has been to assess whether the CA is useful for the study and practice of local and regional development in Europe. It has been a challenging task since the approach is based on a set of philosophical ideas that are difficult to put into practice. In addition, it has been developed and explored more in other sub-disciplines of the social sciences. Nevertheless, I would argue that the empirical evidence shows that the approach does have much to offer Regional Studies,

even though further work is certainly required to more fully understand its contribution and still more to ‘operationalise’ it as a method of local and regional development.

The CA is easier to use as an evaluative framework than it is as a method of development (though Sen would argue that the two are very much linked). The approach can contribute to the elaboration of new indicators for assessing progress in regional development by broadening its definition. These indicators would include such statistics on state provision of services like health and education, levels of employment and unemployment, average household incomes, energy consumption and renewable production, low carbon industry, entrepreneurship and equal access to financial services among many others. As noted, this has already been attempted by Perrons (2010) and the quantification of capabilities is an important area of inquiry. However, it has also been shown that less tangible factors related to governance, society and culture can be crucial but which may be impossible to quantify. Geographical context has a large influence and the undertaking of an in depth case study may be a necessary method to truly evaluate progress from a capabilities perspective. In this respect the thesis has shed light on the case of Alentejo which is an additional contribution that can be taken forward with future research in the region.

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ANNEX 1 : LIST OF INTERVIEWS

Name	Position	Date	Location
<i>A. Experts / Academics</i>			
Mario Vale	Professor, Lisbon University (Centro Estudos Geograficas)	03/06/2009	Lisbon
Jorge Gaspar	Professor, Lisbon University (Centro Estudos Geograficas)	05/06/2009	Alvito
Paulo Neto	Professor, Évora University	18/01/2010	Évora
Josué Caldeira	Independent Consultant	26/06/2009	Lisbon
Nuno Vitorino	Consultant, Augusto Matteus e Associados	08/10/2009	Lisbon
<i>B. National / EU officials</i>			
Rui Baleiras	Secretary of State for Regional Development	25/06/2009	Lisbon
Paulo Feio	Coordinator of NSF Observatory	17/06/2009	Lisbon
Rui Batista	Administrator, Ministry of Agriculture	02/06/2009	Lisbon
Francisco Cordovil	Adviser to the Secretary of State for Spatial Planning	17/06/2009	Lisbon
Manuel Laranja	Adviser to the Secretary of State for Innovation	19/06/2009	Lisbon
Katalin Gönczy	Administrator, European Commission, DG Agriculture and Rural Development	10/07/2009	Brussels
Mikel Vila	European Commission, DG Regional Policy	19/06/2009	Telephone interview
Horacio Barata	Administrator, European Commission, DG Employment and Social Affairs	11/01/2010	Brussels
<i>C. Local and Regional Authorities</i>			
Jorge Honorio	Vice-President, CCDR Alentejo	03/09/2009	Évora
Joao Cordovil	Director of the Regional Operational Programme for Alentejo	08/09/2009	Évora
Luis Cavaco	Director of Alentejo Regional Development Agency (ADRAL)	11/09/2009	Évora

Teresa Santos	Administrator, Ministry of Agriculture Regional Office for Alentejo	03/09/2009	Évora
Jose de Veiga	Head of Department, Ministry of Agriculture Regional Office for Alentejo	11/09/2009	Évora
Joao Paulo Trinidade	Mayor of Alvito	19/09/2009	Alvito
Mario Simoes	Mayoral candidate for 2009 local elections	21/09/2009	Alvito
Vicente Morais	Mayoral candidate for 2009 local elections	20/09/2009	Alvito
Joao Penetra	Mayoral candidate for 2009 local elections	21/09/2009	Alvito
	Member of Alvito Municipal Assembly	20/09/2009	Alvito
Dra. Filomena Alves	Administrator, Ministry of Education Regional Office for Alentejo	28/09/2009	Évora
Alfredo Barosso	Mayor of Redondo	30/09/2009	Redondo
<i>D. NGOs / Private Institutions</i>			
Marta Alter	ACE (Local Development Association)	17/09/2009	Arraiolos
David Marques	ESDIME (Local Development Association)	08/01/2009	Messejana
Antonio Coelho	Professional School of Alvito	29/09/2009	Évora
Isabel Gaivao	Casa de Povo de Safara	30/09/2009	Safara
Rui Horta	Manager, Espace do Tempo Theatre, Montemor	14/01/2010	Montemor – o - Novo
<i>E. Employers / Business</i>			
Jose-Paulo Barahona Silva	Landowner	17/09/2009	Alcaçovas
Alfredo Cunhal	Landowner	16/01/2010	Montemor – o –Novo
Pinto Rodrigues	Managing Director, VALNOR	17/09/2009	Figueira e Barros

João Martins	EDIA	30/09/2009	Évora
Antonio Lacerda	Alentejo Tourism Office	30/09/2009	Évora
João Pontes	Retired Managing Director of Agri-food business	23/09/2009	Lisbon
Carlos Martins	Managing Director, UCASUL	29/09/2009	Alvito
Frederico Lucas	Director of PR firm	22/09/2009	Lisbon
Catarina Gonçalves	Director, Rotas de Frescos	29/09/2009	Évora
Anibal Martins	Chairman of Southern Cooperatives and National Union of Agricultural Cooperatives	18/01/2010	Serpa
Francisco Carvalho	Landowner	17/10/2010	Serpa

ANNEX 2: INTERVIEW QUESTIONS / CRIB SHEET

- What are the tasks of your organisation / institution and what is your role?
- QUAL O PAPEL E RESPONSABILIDADES DA SUA ORGANIZACAO / INSTITUICAO?

1. Economic facilities

- What are the job prospects for young people and the unemployed in the region?
- QUE PERSPECTIVAS DE TRABALHO HA PARA JOVENS PROFISSIONAIS E DESEMPREGADOS?
- What are the main employers / sectors of employment in the region?
- QUAIS OS PRINCIPAIS EMPREGADORES E SECTORES DE EMPREGO DESTA REGIAO?
- To what extent are the jobs highly skilled / graduate jobs?
- ATE QUE PONTO OS EMPREGOS REQUEREM PESSOAL ESPECIALIZADO OU QUALIFICADO?
- What are the chances of changing employment if you are unsatisfied with the job?
- QUE PROBABILIDADES HA EM MUDAR DE EMPREGO CASO O EMPREGADO ESTEJA INSATISFEITO?
- What government or other support is available for businesses to improve their performance or for new businesses to start up?
- QUE APOIOS DO ESTADO OU DE OUTRAS ENTIDADES ESTAO DISPONIVEIS PARA O SURGIMENTO DE NOVAS EMPRESAS, OU PARA MELHORIA DAS EXISTENTES?
- Are there any special financing schemes available for local businesses?
- EXISTE ALGUM ESQUEMA DE FINANCIAMENTO ESPECIFICO PARA AS EMPRESAS DA REGIAO?
- What steps have been taken to improve market access through transport and communication?
- QUE PASSOS TEEM SIDO DADOS PARA MELHORAR O ACESSO DAS EMPRERSAS AO MERCADO, TRANSPORTES E COMUNICACOES?

2. Social opportunities

- What is the standard of education in the region?
- QUAL O NIVEL DE ESCOLARIDADE OBRIGATORIA NA REGIAO?
- Are there any opportunities for adults to continue learning / training after they have left school?
- QUAIS AS OPORTUNIDADES PARA OS ADULTOS DE INGRESSAREM NOVAMENTE NO ENSINO OU EM ESTAGIOS PROFISSIONAIS?
- Is good quality health care easily accessible?
- HA ACESSO A UM BOM CUIDADO DE SAUDE POR TODOS?
- How is child care organised (within the family / nurseries)?
- QUE APOIOS HA PARA O CUIDADO INFANTIL NAS FAMILIAS E CRECHES?

- To what extent do individuals work together and trust each other in economic and social life? Is there any state or NGO assisted programmes to promote networking and cooperation?
- ATE QUE PONTO OS INDIVIDUOS COOPERAM ENTRE SI E COM MUTUA CONFIANCA NA VIDA ECONOMICA E SOCIAL?
- Is there a culture of taking initiative or is it more of dependence on others?
- HA UMA CULTURA DE INICIATIVA PESSOAL, OU OS INDIVIDUOS SAO DEPENDENTES DE INICIATIVAS ALHEIAS?

3. Transparency guarantees

- Do local authorities justify their decisions publicly?
- AS AUTORIDADES LOCAIS JUSTIFICAM PUBLICAMENTE AS SUAS DECISOES?
- To what extent are local authorities' trustworthy partners and arbitrators?
- ATE QUE PONTO AS AUTORIDADES LOCAIS SAO DE CONFIANCA?
- Are there accessible and impartial avenues to justice and legal enforcement?
- EXISTE LIVRE ACESSO A UMA JUSTIÇA IMPARCIAL?

4. Political freedoms

- To what extent are people and businesses consulted by the authorities in policy development and decision making?
- ATE QUE PONTO O INDIVIDUOS E OS NEGOCIOS LOCAIS SAO CONSULTADOS PELAS AUTORIDADES PARA O DESENVOLVIMENTO E DECISOES NA VIDA POLITICA?
- To what extent do people and businesses see the value in voting for a particular party or leader, or for joining a political party?
- ATE QUE PONTO OS INDIVIDUOS E NEGOCIOS LOCAIS VALORIZAM O VOTO NUM PARTIDO OU NUM LIDER DE PARTIDO, OU NA FILIACAO A UM PARTIDO?
- Have there been any attempts by the authorities to improve participation in the political process (e.g. through specific programmes)?
- HOUVE ALGUMA TENTATIVA POR PARTE DAS AUTORIDADES LOCAIS POR MELHORAR A PARTICIPAÇÃO DOS INDIVIDUOS NO PROCESSO POLITICO, POR EXMPLO SOB PROGRAMAS ESPECIFICOS?

5. Protective security

- In addition to financial aid, what programmes are available to help the unemployed and sick?
- PARA ALEM DE AJUDA FINANCEIRA, QUE PROGRAMAS ESTAO DISPONIVEIS PARA AJUDAR OS DESEMPREGADOS E OS DOENTES?
- Is there a culture of risk taking and does the state encourage it?
- EXISTE UMA CULTURA DE "TOMAR RISCOS" POR PARTE DOS INDIVIDUOS, E AJUDA NESSE SENTIDO POR PARTE DO ESTADO?