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RURAL QUALITY DISTRICTS IN ITALY AS A TOOL OF SUSTAINABLE GOVERNANCE

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Abstract

The aim of this study is to point out the opportunities to improve the competitiveness of rural areas using new tools of governance.
For this purpose we firstly identify the specific rules adopted in Italy in favour of a specific tool – the district – in order to analyse its guidelines to support rural sustainable development governance.
We then describe the implementation of integrated programming approaches, referring data to the Friuli Venezia Giulia Region.
The results give us the opportunity to identify a number of projects that were developed among several stakeholders to potentially create and promote a local district.

Key words: sustainable governance, rural district
JEL classification: Q01, R12

Introduction

During recent years a number of highly specialised production systems have been developed in the field of agro-food production in Italy. These systems are strictly linked to rural areas. Their localisation play a strategic role in the differentiation of the development processes.
The aim of this study is to point out the opportunities to improve the competitiveness of rural areas using new tools of governance.
For this purpose we firstly identify the specific rules adopted in Italy in favour of a specific tool – the district – in order to analyse its guidelines to support rural sustainable development governance.
We then describe the implementation of integrated programming approaches, referring data to the Friuli Venezia Giulia Region.

Sustainable local development and new governance tools

Since 1998 the European Commission has tried to improve the use of Structural Funds in favour of local development. The Commission has identified some keywords to better describe the local development concept. In detail, local development should be:

- a territorial, place-based process: the rural area is not a passive element. It is the place where there are specific historical, social, cultural and environmental features and the installation of relations among local actors. It can provide development opportunities, that could not be repeated elsewhere;
- an endogenous process created by local actors enhancing local resources (environmental, economic, cultural, technological, etc. resources). It is not possible to transfer these resources: they are strictly linked to a specific context. They could create several development opportunities at local level in the long-term. The implementation of these opportunities is governed by local actors: in fact, this process is not spontaneous;
- an integrated process: co-operation among stakeholders and integration between different economic activities are able to create new strategies. Consequently, as regards external/institutional incentives in favour of local development, it seems to be necessary to use multi-sector approach interventions to guarantee the largest stakeholders involvement in order to obtain synergy and complementarity to give impetus to local development. Moreover, the local development process has to be a bottom-up approach: the development strategies are decided at local level with the involvement of the key actors and considering all relevant local resources. Implementation of the local development process is due to the efforts of all key actors;

- a sustainable process: the local development process has to consider contemporarily the maintenance of local ecosystem integrity, the efficiency of the economic system and guaranteeing of social equity.

Each development process occurs within a specific context, with a unique mix of environmental, historical, economic, social and institutional features (OECD, 2006). The implementation and the result are also unique. In fact, the rural area is able to target the development process in a specific way. To identify this essential role of the rural area in setting one development process apart from another, the expression "local development system" appears to be useful (Basile and Romano, 2002).

Local systems of rural development

Several local development processes take place in rural areas (De Noronha Vaz *et al*., 2006). To recognise the link between the rural area and the development process the expression could be useful "local system of rural development", the social and economic context of which is characterized by a set of production and development activities related to local renewable environmental resources (Basile and Romano, 2002).

In these local systems the main economic activity is usually the primary sector. This sector is the organizational focal point of all the local production activities.

Nevertheless, as rural areas are very complex, to implement a development process it is necessary to consider not only the primary sector, but also other facets. In fact, the rural development concept is wide-ranging: it provides the opportunity to diversify local economic activities (i.e. handicrafts, small industries, rural tourism, etc.), improve infrastructure connecting extensive rural areas, increase the supply of services for local residents, further equal opportunities between genders, maintain environmental resources, etc.

Consequently, the rural development concept has an integrated logic that considers the economic, social and environmental dimensions of a rural area to achieve several targets.

The rural development process also has to be strictly linked to the rural area as it is necessarily an integrated endogenous development process, based on local resources. Co-operation between key actors and local stakeholders is another fundamental condition to develop a rural area. A bottom-up approach with the participation of all institutional key actors is essential.

Furthermore, the rural development process has to be sustainable. For this purpose it is necessary to:

- define development strategies that can guarantee a sufficient labour supply and per capita mean income;
- maintain the environmental heritage, avoiding natural resources degradation;
- establish institutional rules and laws in favour of regional planning considering local traditions and landscape, trying to avoid the disappearance of environmental resources;
- guarantee equitable resources distribution among generations,
- safeguard local culture and traditional values.

Sustainable rural governance tools: the districts

Within this complex context the decision-makers have to identify new tools of sustainable rural governance (Brunori *et al*., 2007; Ploeg van der, 2006).

In Italy, several concentrated and specialised geographical production systems have been developed in the agro-food sector, in a similar way to the creation of industrial districts.

The contribution that industrial districts make to the Italian socio-economic system stimulates interest in analysing the competitive performance of some specific geographical concentrations of agro-food firms.

The district tool seems to fit rural development governance since the number of clusters of enterprises linked to rural areas has widely expanded in Italy during recent years in the agro-food production sector, the features of which are very similar to those of the Marshallian industrial districts (Becattini, 1992 and 2004; Tarangioli, 2009).

The industrial district is first of all a model of socio-economic organization. It represents a fundamental basis for the industrial sector in Italy, while it is also a relevant governance tool in other

countries, but with different configurations. Italian industrial districts have some specific characteristics: small sized enterprises with rather complex relationships – both between them and with local stakeholders - which allow the Marshallian concept of industrial district to be used. In Italy, Becattini (1992) revised the idea of industrial mood to what he defined as a "feeling of belonging", i.e. the tendency of local communities to identify themselves with the district or to feel part of the local productive system (Tappi, 2001).

These features of the industrial district concept seem to fit the rural development process: in particular, the district seems to be a useful governance tool for rural areas, where the link with the territory is a fundamental characteristic of the whole development process and the change from a firm-based to a territory-based competition perspective.

The widespread occurrence of geographical concentrations of agro-food actors has led decision-makers to create and implement targeted policies to boost competitiveness and help rural areas to develop by encouraging stakeholders to form and build up clusters/districts.

Within this context the district seems to be a suitable instrument for a bottom-up planning in rural areas. In fact, it could: i) carry out a devised sustainable development project in a rural area, involving all endogenous resources; ii) facilitate the resolving of conflicts between stakeholders; iii) encourage the multifunctional role of the primary sector; iv) promote network relations to increase the value of local products; v) enhance the role of the primary sector in managing environmental resources.

The opportunities offered by the use of the district concept in rural areas have been translated into regulatory instruments in Italy. In detail, the importance of the district tool to encourage rural development has been acknowledged by Decree no. 228 of 18th May 2001, which created the rural and quality agro-food districts. According to this law, the rural districts must have an historical identity, a strong territorial integration between different activities and produce typical goods strictly linked to the area. The quality agro-food districts are local production systems, whose productive and processing activities are interdependent and the foodstuffs they produce are either a certificated production and/or typical and traditional products.

While the definition of agro-food district is similar to that used for industrial districts, the definition of rural districts is novel as it entails the integration of agriculture with other economic activities.

The Italian Decree provides only the definition of districts and leaves the task of identifying and establishing rural and quality agro-food districts to the Italian Regions.

In spite of the widely acknowledged importance of this organisational model in favour of the rural development process and a lot of research, the Decree has not been fully implemented. This situation has generated two types of difficulties: it has created a bottleneck in the building up of new districts and has made it impossible to take advantage of tax breaks and other facilities linked to the district model. Consequently, bridging the gap to allow rural districts to obtain legal recognition has become urgent. In fact, only some Italian Regions have officially recognised rural and quality agro-food districts. For example, a significant number of rural districts belong to Lazio and Tuscany, while the definition process is still in progress for Umbria and Marche. In spite of the highly dissimilarity among those districts, they share some features: the rural areas involved show a marked agricultural vocation and a significant relationship both with landscape/environmental resources and local popular traditions. Agriculture is characterised by multifunctional items and its integration with tourism is very significant, too. Nevertheless, the population density is low.

As far as quality agro-food districts are concerned, some other Italian Regions have officially identified some of them such as Piedmont, Liguria, Lazio, Basilicata and Calabria, Those districts have different geographical features and different productive characteristics (i.e. flowers, rice, fruit and vegetable). In fact, some of them show productive and labour specialization so that they have a high socio-economic impact in terms of added value and labor market, while some others do not. However, the common factor appears to be a tie between agricultural products and rural areas historical origins, the features of the environment and the production of certifiable typical products. Nevertheless some other Italian Regions are still in the process of enacting a specific set of rules. This is also the case of Friuli Venezia Giulia Region. During 2008 a draft bill in favour of the development of the primary and agro-food sectors has been introduced. This draft bill officially recognised only the rural district as a strategic tool able to improve local competitiveness through territorial cohesion, the development of local agro-food supply chains and the integrated, bottom-up programming approach. Nonetheless, the districts have not yet been officially recognised.

It is worthwhile to note, instead, that a relevant agro-food local system has been recognised in Friuli Venezia Giulia by a specific regional law (Regional Law n. 27/1999, modified by Regional Law n. 4/2005). This is the case of an important industrial district at national and international level: the San Daniele ham producing district. It is characterised by a high concentration of agro-industrial companies, which are highly specialised small and medium sized enterprises with a strong handicraft tradition. These are those characteristics that contributed to the official identification of this local system as an industrial district, even if it is related to an agro-food commodity.
Moreover, concerning the rural districts planning in Friuli Venezia Giulia, a detailed feasibility study has been developed by the Chamber of Commerce of Udine (2008). The study aims to enhance the implementation of a rural district in the Southern area of the Region. Several local stakeholders took part of the process proving to have good management skills to promote the official recognition of this area as a rural district. However, the large involvement of local stakeholders was not worth to obtain the official recognition.
The next section of the study tries to answer to the following question: is it possible to enhance interest in creating and/or in recognizing districts in rural areas through the integrated planning approach? This question arises from the thought that the ability to co-operate between enterprises and other actors belonging to a specific rural area is quite low in Friuli Venezia Giulia. The Region in fact, does not show a long history of co-operation like some other Italian Regions (i.e. Tuscany, Emilia-Romagna, Puglia). Therefore, integrated planning approach included in the Rural Development Programme 2007-2013 (RDP) could be read as a local government try to foster cluster processes. Results, succeeding or failure, are still all to be verified, but at this stage the first evidence seems to be positive: what emerges from the processed data is in fact a positive answer in terms of number of applications and number of stakeholders involved.

Empirical evidence from a regional case study

To identify the opportunities for implementing the district tool and provide an explanation for the rise and the evolution of agglomeration in rural areas, we analyse the trend of the integrated planning approach in the Friuli Venezia Giulia Region. As far as integrated programming is concerned (Zumpano, 2007), a case related to the application of Integrated Production Chain Plans (IPCP) and Integrated Rural Area Plans (IRAP) is reported. The data refer to the Friuli Venezia Giulia Region. The analysis of interrelations between the actors involved and the intensity of these relations will highlight some of the main difficulties and the most crucial aspects that could emerge during the implementation of integrated programming. The localisation, the types of beneficiary, the level of investments and volume of funds, together with the dimensions of social capital integration will be analysed. The Friuli Venezia Giulia RDP 2007-2013 has chosen to prioritise integrated tools, favouring the joint projects, by proposing three different forms: Integrated Production Chain Plans (IPCP), Integrated Rural Area Plans (IRAP), and Collective Actions (CA). The aim is to support the fragmented primary sector also through a demonstrated ability of the actors in a very defined rural area to co-operate. The analysis refers to the two main integrated tools: the IPCP and the IRAP.
Friuli Venezia Giulia is a small Region[1] and about €247 million in public funds was provided for at the time of the approval of the RDP 2007-2013. The first axis, composed of 8 measures - improvement of the competitiveness of the agricultural and forestry sector - covers 43% of the funds. The second axis - improvement of the environment through supporting territorial management - is constituted by 8 measures that absorb 37% of the funds. The third axis - improvement of the quality of life and diversification of the economy in rural areas - with 5 measures and 10% of the funds, while the fourth axis with 4 measures has 6.5%. (technical advisory 3.5%) (Friuli Venezia Giulia Region, 2007).
The first call for integrated programming applications (issued in the latter half of 2008) assigned approximately €43 million. The RDP awards successful applications of this type with an additional contribution of 10%. This guideline has been determined by the wish to support a major integration of the participants, at both production chain and rural area levels. The RDP explicitly aims to support and promote local resources in order to better place and strengthen the production system on both the domestic and international market. The response to the first call has been positive: approximately €88

[1] Friuli Venezia Giulia Region has an area of 7,856 Km^2 and about 1.2 million inhabitants.

million requested and a good overall quality of the plans. 42.2% of the integrated plans are IPCP, 29.7% IRAP and 28.1% CA (Cisilino and Cutrano, 2010). Table 1 lists the most important figures as regards IPCP and IRAP.

Table 1. Number of applications accepted and granted linked to the requested and granted funds by type of Integrated Production Chain Plans (IPCP) and Integrated Rural Area Plans (IRAP).

	A IPCP	F IPCP	Total IPCP	A IRAP	F IRAP	Total IRAP
n. accepted applications	23	4	27	12	7	19
€ requested (000)	29,960	9,210	39,170	21,836	19,361	41,197
n. single measures	271	100	371	260	222	482
n. granted applications	11	3	14	7	2	9
€ granted (000)	12,887	6,444	19,331	12,887	6,444	19,331
n. single measures	149	64	213	159	64	223
% n. granted/n. accepted	47.8%	75.0%	51.9%	58.3%	28.6%	47.4%
% € granted/€ requested	43.0%	70.0%	49.4%	59.0%	33.3%	46.9%

Source: Own processing from Friuli Venezia Giulia data.
Note: A IPCP = Agricultural IPCP; F IPCP = Forestry IPCP; A IRAP = Agricultural IRAP; F IRAP = Forestry IRAP.

As regards the IRAP, the total volume of investments is around €72 million and the total sum applied for is €41 million (figure 1). On the basis of the funds estimated by the RDP for this type of intervention and the results of the evaluation procedure, 59% of the agricultural IRAP presented (€12.9 million) will be funded and 33% of the forestry ones (€6.4 million). According to the selection criteria approved by the Supervisory Board, particular attention has been given to the young, location in deprived areas, level of clustering - number of participants and territorial range of the IRAP, level of feasibility and transversal nature (therefore completeness) of the development strategy proposed, including its implication on the territorial strategies of the local agencies involved.

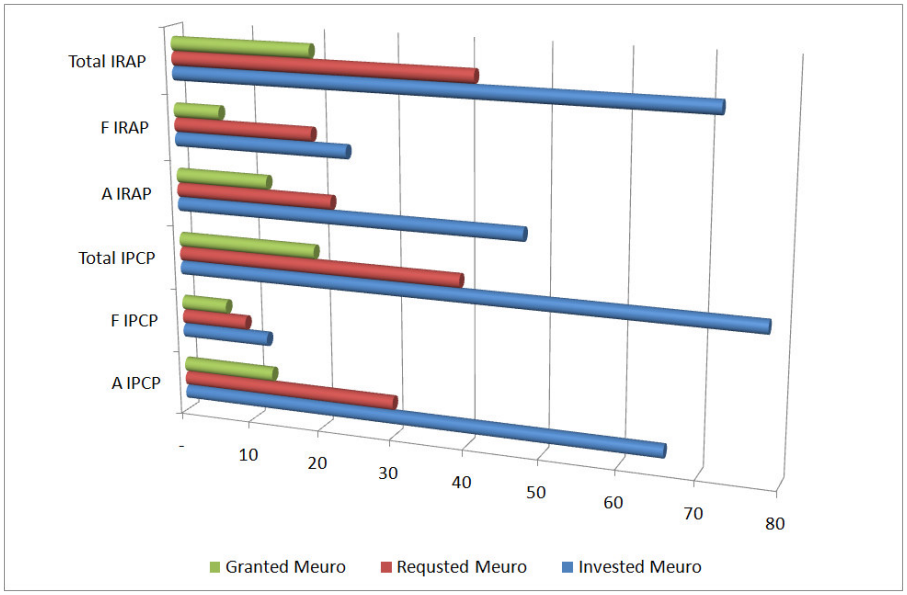

Figure 1. Total Investments, Subsidy Applications, Granted Funds by type of IPCP and IRAP (Meuro).
Source: Own processing from Friuli Venezia Giulia data.

As regards the IPCP, the total volume of investments is approximately €78 million, the total sum applied for is around €40 million (figure 1). 43% of the agricultural IPCP presented (€12.9 million) will be funded and 70% of the forestry IPCP (€ 6.4 million). The main production chain favoured by this type of intervention are: pigs production chain (GMO free San Daniele ham); horticulture production chain (IV range; high quality potato); dairy production chain (cheese-making factory improvements; innovative products); cereals production chain (human foodstuffs, GMO free); fruit growing production chain (DOP apple); high quality beef cattle production chain (production/environment integration); viticulture production chain (direct market, high quality processed products); game production chain (high quality meat); forest production chain (high quality wood products, biomasses).
The distribution of applications by single measure for the two agricultural and forestry IPCP and IRAP is shown in figure 2.

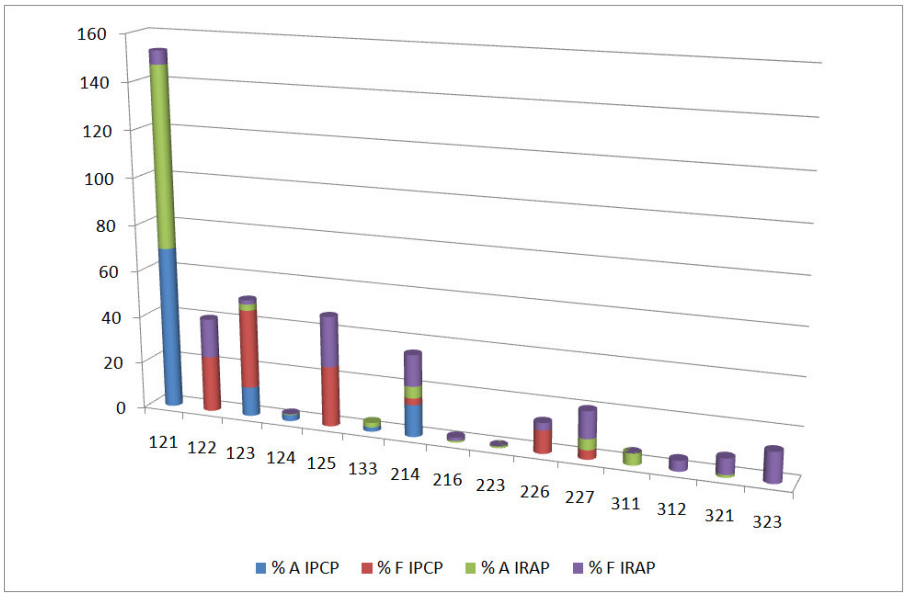

Figure 2. Distribution of applications by single measure and by type of IPCP and IRAP (%).
Source: Own processing from Friuli Venezia Giulia data.

It can be seen that 77.6% of the agricultural IRAP, 69.4% of the agricultural IPCP and 77.6% of the agricultural IRAP are concentrated in measure 121 (figure 2). 33.7% of the forestry IPCP choose measure 123, 25.7% measure 125 and 23.8% measure 122. The forestry IRAP are prevalently in measure 125 (21.6%), 122 (16.7%) and 214 (13.5%). The majority of applicants for measure 125 are public agencies, town councils and municipality associations. This shows that these latter have been able to take advantage of the chance to obtain funding from EU programmes (and not just from the Region). The main purpose remains the improvement of conditions for the development of economic activities in their areas, emphasised by the direct assumption of responsibility as coordinators of the development project.
Observation of the distribution of applications by single agricultural and forestry IRAP and IPCP reveals the level of integration by project (figures 3, 4, 5, 6).

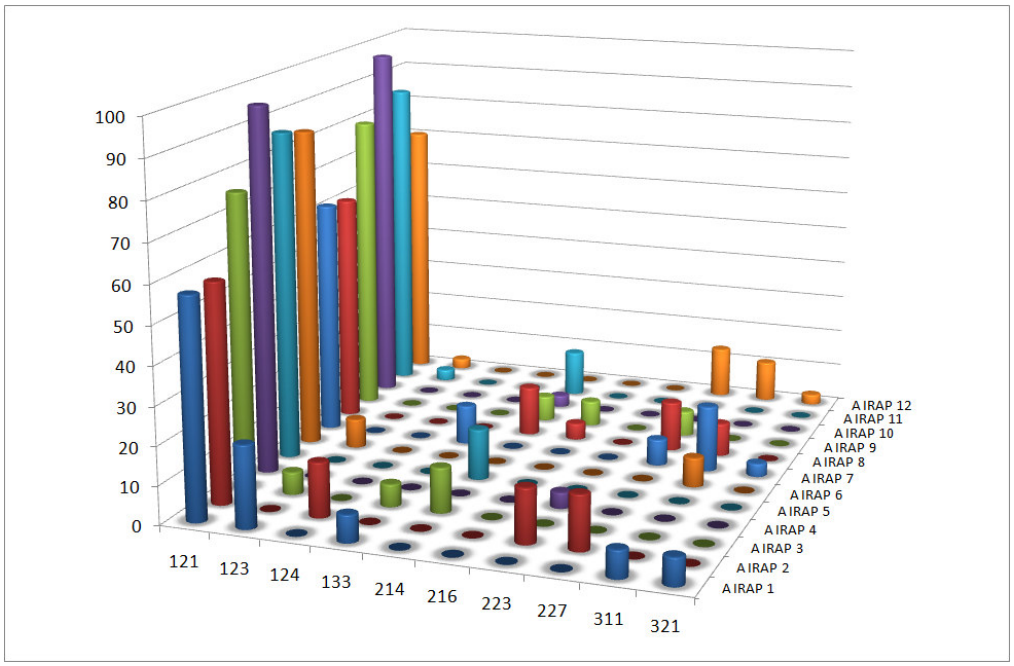

Figure 3. A IRAP: Distribution of applications by single measure and single integrated plan (%).
Source: Own processing from Friuli Venezia Giulia data.

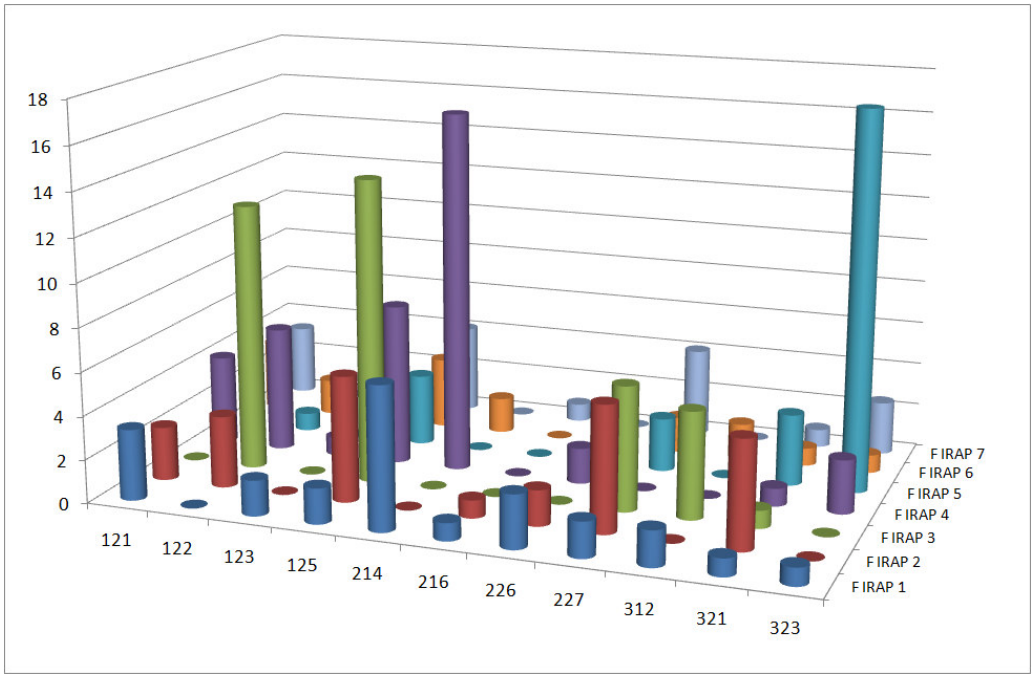

Figure 4. F IRAP: Distribution of applications by single measure and single integrated plan (%).
Source: Own processing from Friuli Venezia Giulia data.

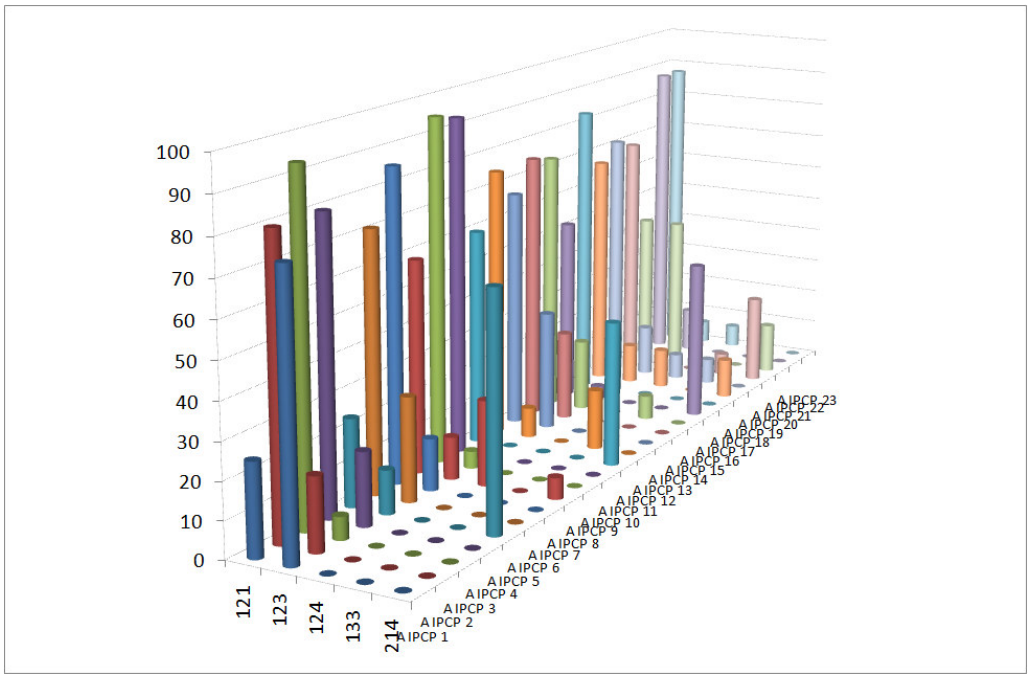

Figure 5. A IPCP: Distribution of applications by single measure and single integrated plan (%).
Source: Own processing from Friuli Venezia Giulia data.

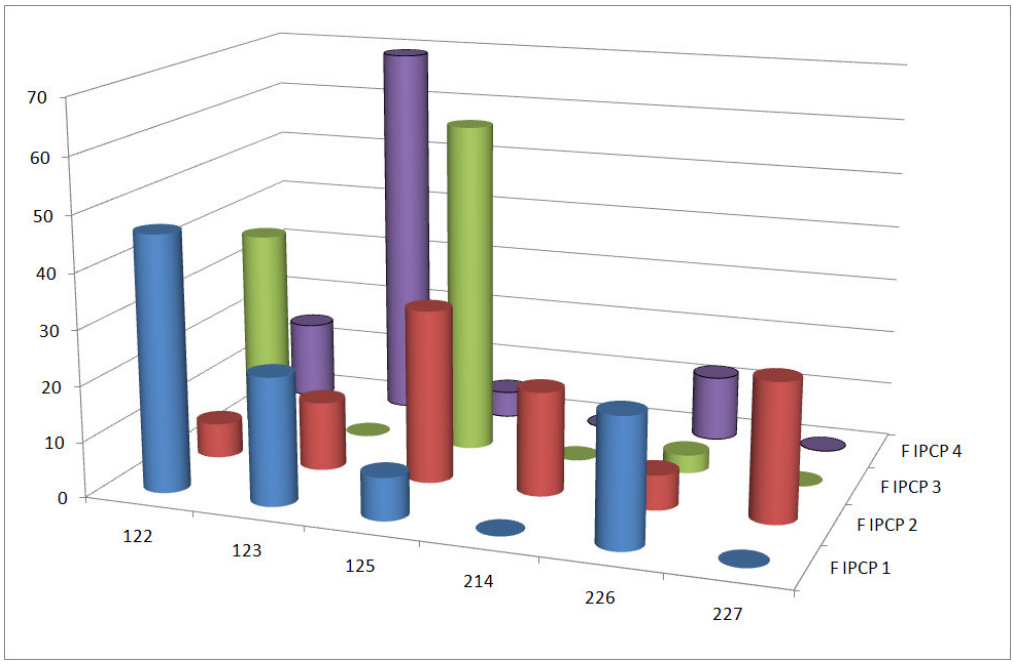

Figure 6. F IPCP: Distribution of application by single measure and single integrated plan (%).
Source: Own processing from Friuli Venezia Giulia data.

At this stage, the carried out analysis allow also to state that the approved integrated projects, although of limited dimensions, nonetheless possess the elements for being considered collective projects, rather than a set of single applications presented jointly. The implementation phase will allow the local government to deeply evaluate the effective impact of these projects on the socio-economic development of rural areas. The distribution of the IRAP on the various measures of the RDP also

reveals a certain integration between axes (and therefore development objectives), 6 measures of the first axis, 5 of the second and 4 of the third being involved. For the IPCP there is integration between 6 measures of the first axis and 3 measures of the second.

Conclusions

The analysis of the regional socio-economic relationships gave us the opportunity to highlight that a number of projects were developed among several stakeholders to create and promote a local district. The 2007-2013 European Union Rural Policies promote tools aimed at the governance of rural areas that could involve stakeholders at different decision levels (national, local) and with different characteristics (public, private) supporting the development of integrated programming. In particular, within the framework of rural policy it is possible to observe an increased presence of ascending and bottom-up instruments (Mantino, 2009; Trouvè and Berriet-Solliect, 2008). This is supported in the EU strategy system through Regulation no. 1698/05 and by the strategic guidelines for cohesion. In Italy the National Strategic Plan introduces integrated programming as one of the tools that can concur to a greater effectiveness of the participations in the development of rural contexts. The two main pillars are represented by the Integrated Production Chain Plans and the Integrated Rural Area Plans. A third possibility for integration comes at individual company level through business packages. Local development policies would have to find a good performance method in those integrated tools since levels of government close to the rural area are involved (bottom-up strategy).
Consequently, the territorial dimension is playing an increasing role in fostering rural development and the territorial model is emerging.
The debate on local development takes into account that the actors involved in the process of development of rural areas as a whole unite stakeholders that interact with each other but have different interests and different approaches. So far the impact that an integrated programming will be able to generate on rural areas will depend on the ability to manage a complex system.
Concerning the integrated programming developed in Friuli Venezia Giulia through the RDP 2007-2013, the following main points can be summarised (Cisilino and Cutrano, 2010).
The most important characteristics of the accepted IPCP are a generally good planning capacity, supported by clear objectives and a potential high impact on the production system. Furthermore, they have shown a high volume of investments that could produce a positive influence in several sections of the production chain. Weak points have instead been recorded concerning the linkages between some types of interventions and sometimes a lack of trade agreements among production chain participants. The approved IRAP have shown a good involvement of different actors and different sectors and so far a good potential impact on rural areas. They also confirm a marked presence of local agencies and municipalities, a good level of integration between rurality/tourism/environment and a balanced intervention between different sectors. The weak points of the not-approved IRAP are essentially unclear and not measurable objectives, a lack of definition of the leader's tasks and an overly high volume of investments, especially in some forestry IRAP.
These considerations lead towards a general observation: can integrated programming effectively represent a tool of *governance* of the district type? Could it be a preliminary step to the setting up of rural districts? According to the analysis, integrated programming may be identified as a medium-term tool for the creation of networks between the different actors who belong to the same rural area. A difficult form of *governance*, a challenge to be met to increase the quality of local policies, which makes use of the *bottom-up* principle. Instead, rural district has a more structured long-lasting profile, which involves a more stringent design, constrained by precise criteria and regulated by the public government. Both tools share the objective of good governance of rural areas, product promotion and putting subjects into play that should strengthen the penetrability of those specific goods or services on the markets. Empirical comparisons have shown that integrated programming has a potential significance in terms of *governance* where there is a strong integration between production and rural area, i.e. in the areas where the productions gain advantage from their links with the territory and vice versa. It will therefore be interesting to verify, during the impact evaluation phase, whether it is possible to hypothesise that the integrated projects which have most impact on the rural areas will transform over time and assume more consolidated characteristics that can give rise to real districts.

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